Austria Sch22	Indonesia Rp3196	Oman OR1
Bahrain Din0.700	Iran [illegible]	Philippines Peso40
Belgium BFr52	Israel [illegible]	Portugal Esc140
Cyprus C£0.80	Italy L1700	Qatar QR6.50
Denmark DKr10.00	Jordan [illegible]	S.Arabia SR6.50
Egypt E£2.25	Kuwait [illegible]	Singapore S$4.10
Finland Fmk7.00	Lebanon [illegible]	Spain Pta145
France FFr7.00	Lux LFr55	Sweden SKr10
Germany DM2.20	Malaysia [illegible]	Switz SFr2.40
Greece Dr120	Morocco Dh9.50	Thailand Bht50
Hong Kong HK$12	Neth Fl2.50	Tunisia Din0.950
Iceland [illegible]	Nigeria [illegible]	Turkey [illegible]
India Rp15	Norway NKr10.00	UAE Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,876 Friday June 23 1989 D 8523A

AFGHANISTAN
Fear and division prop up regime
Page 6

World News

P & O group faces charge over ferry disaster

P & O European Ferries, the company which owned the ill-fated Herald of Free Enterprise car ferry which capsized off Belgium with the loss of 193 lives in 1987, is to be prosecuted for manslaughter. It will be one of the first such prosecutions of its kind.

Summonses for manslaughter were also issued against two of the Herald's senior officers, a crewmen and four Townsend managers. Page 11

ANC talks signal

The African National Congress gave the clearest signal yet that it is preparing for negotiations with the South African government over the ending of apartheid. Page 4

Friendship pledged

The Soviet Union and Iran buried their often bitter differences, and pledged good neighbourliness and non-interference in each other's internal affairs. Page 24

Blow to Pasok

Greek Socialists' hopes of remaining in power after last Sunday's inconclusive general election through a coalition government with the opposition Communists received a serious setback. Page 3

Unita caution

Officials of Angola's rebel Unita movement cautioned against prospects for a successful outcome to the summit aimed at ending the country's 14-year civil war. Page 4

Pozsgay vote move

Hungary's Communist Party will go into opposition if defeated in next year's planned elections, Mr Imre Pozsgay, the ruling Politburo's leading reformer, has said. Page 3

Party sacks leader

Georgian Communist Party in the Soviet Union, taking an increasingly independent line from Moscow, has now sacked its Russian deputy leader, in a new gesture of defiance. Page 2

Left changes policy

The Socialist International, which groups more than 80 leftist and social-democratic parties from around the world, has embraced the market economy. Page 3

N-power prediction

Nuclear electricity output by Western industrialised countries will reach a peak next year before declining steadily to the end of the century, according Nuclear Energy Agency. Page 3

Afghan victory claim

President Najibullah, giving his first significant public assessment of the Afghan war since the final withdrawal of Soviet troops four months ago, said government forces had won a crucial first victory against Moslem guerrillas. Page 6

Telecom meeting

West German and French officials will be meeting in Dusseldorf later today to see whether they can thrash out a compromise on how Europe's telecommunications services market should be liberalised. Page 2

Jewels for the East

A metal and paste replica of the Crown Jewels was bought for £29,700 ($45,343) by a Japanese jewellery firm at Sotheby's auction rooms in London.

Business Summary

Japan, Brazil and India refuse US trade talks

Japan, Brazil and India, the three countries targeted as "unfair traders" by the US, all formally refused the bilateral consultations the US is calling for under its new Trade Act. Page 24

CARLO De Benedetti, Olivetti chairman, is considering acquiring part or all of the Olivetti stake that is owned by American Telephone & Telegraph (AT & T) in a move designed to ensure future shareholder stability. Page 25

STC of the UK and SAT of France, two of Europe's leading telephone transmissions companies, are linking up in a collaborative arrangement which marks a new phase in the reorganisation of the telecommunications industry. Page 25

PROFITS as reported by some of the UK's largest companies will be shaken up by a recommended rule change which proposes that goodwill from acquisitions should be put on balance sheets. Page 24

EASTERN Air Lines has asked a bankruptcy court for permission to break its labour contract with striking pilots, a strategy its parent, Texas Air, used six years ago to defeat pilots at Continental Airlines, its other operating subsidiary. Page 29

COMMERCIAL Union, British composite insurer, surprised observers of the rapidly-growing Italian insurance market by signing an agreement with Credito Italiano, allowing it to sell both life and non-life insurance via the bank's 503 retail outlets. Page 25

PIRELLI Tyre Holding shares will be floated giving the new unit that groups the Italian concern's tyre operations a market value of Fl 2.4bn ($1.1bn). Page 27

BOB Hawke, Australian Prime Minister, urged the British Government to ensure that decisions by the Monopolies and Mergers Commission on Australian corporate takeovers were made on purely economic grounds. Page 4

CONGRESSMAN Henry Gonzalez, chairman of the House Banking Committee, ordered an intensive study of the US Federal Reserve Board, which he says has misinterpreted US banking law by unilaterally giving American banks new powers. Page 8

SWITZERLAND's net foreign assets rose last year from SFr271bn to a record level of SFr300.4bn ($172bn) according to estimates published by Union Bank of Switzerland. Page 3

BERLINER Bank has formed a joint venture with the Kuwait Investment Office to channel investment into medium-sized West German and other European companies. Page 26

HONG Kong-listed China Entertainment Strategic Investments, investment company within the Evergo Group, surprised the Hong Kong stock market with the announcement of a rights issue to raise HK$393.5m ($50.3m). Page 26

PERUSAHAAN Otomobil Nasional (Proton), manufacturer of Malaysia's national car, made a pre-tax profit of 32m ringgit ($11.8m), compared with a loss of 58m ringgit the previous year. Page 26

EGYPTIAN and IMF officials have reported progress in their talks on a new economic reform programme, after negotiations had been stalled for many months. Page 4

PORTUGUESE government plans new privatisation laws, to encourage the sale of some state-owned companies by tender, and increased investment flexibility. Page 27

Gold Fields set to bargain after £3.1bn Hanson offer

By Nikki Tait and Kenneth Gooding in London

HANSON, Britain's most acquisitive major conglomerate, yesterday produced a £3.1bn ($4.8bn) offer for Consolidated Gold Fields, the UK-based mining multinational.

Gold Fields, still reeling from the siege by Minorco, the South African-controlled investment company, last night sent clear signals to Hanson that it wanted to negotiate agreed terms although it would drive a hard bargain over the price.

"Hanson's opening offer completely fails to reflect the value of Gold Fields. It would benefit Hanson's shareholders but it does not sufficiently benefit ours," said Mr Rudolph Agnew, Gold Fields' chairman.

The move was considered in the City of London to be impeccably timed. The London stock market took the view that only a little more would be needed for Hanson to gain control, and the Gold Fields shares advanced by £2.03 to £14.56.

Gold Fields won a bitter eight-month bid battle only a month ago when a New York court injunction prevented Minorco taking control in the UK's biggest takeover attempt. This was in spite of the fact that Minorco had acceptances for 55 per cent of the Gold Fields shares.

Minorco has now irrevocably accepted Hanson's offer of £14.30 a share for its remaining 30 per cent stake in Gold Fields.

Mr Andrew Quinn, head of James Capel's mining team, suggested that Gold Fields' institutional shareholders might feel "enough was enough" after the protracted battle with Minorco and be happy to take their profits.

Minorco's final offer was worth £3.5bn or £15.50 a share but only £11.25 was in cash with the rest made up with Minorco shares. Minorco's share price rose by £1.06 yesterday to £9.94. The company said it will make a £400m profit on the book value of its Gold Fields stake and collect about £1bn to add to its existing cash hoard of £1.5bn.

There was consequently a sharp increase in the share prices of Charter Consolidated and Johnson Matthey, companies within the Minorco orbit.

Hanson's share price rose by 11p to 214p, not only reflecting the view that the deal was a good one for the group but also because the move on Gold Fields ended speculation that the days of major corporate bids by Hanson were over.

The City assumed Hanson, if successful, would keep Gold Fields' aggregates subsidiary, ARC, formerly known as Amey Roadstone, and sell most of the other assets. Among them is 49 per cent of Newmont Mining, the biggest gold miner in the US, whose shares yesterday jumped by $5¼ to $40⅛.

Mr Mark Wellesley-Wood,
Continued on Page 24
Background, Page 22; Lex, Page 24

Alan Harper

Gold Fields chairman Rudolph Agnew in London yesterday: "I don't think you can hide your head in the sand."

Relaxed Agnew ready for battle

By Richard Lambert in London

FOR a man who finds himself – yet again – on the wrong end of a £3bn-plus hostile bid, Mr Rudolph Agnew looked remarkably relaxed yesterday.

By the time the Minorco bid had ended in the middle of last month, he had seemed tense and exhausted. Yesterday, he appeared positively sunny about the prospect of a fight with Lord Hanson. "He came round to see us on Wednesday night, and was very civilised – in stark contrast to the previous lot," explained Mr Agnew, who has been chairman of Consolidated Gold Fields since 1983. "It's a totally different situation from the Minorco offer.

"That bid was in our view underhand, and it raised all kinds of concerns – the shareholders' interests, the public issues, the long-term needs of the company and the employees – all of which were pulling in different directions."

Mr Agnew, 55, has worked all his life for the company: his father and his grandfather were also deeply involved in its affairs. Why didn't he feel more passionate about the possibility that Hanson might be about to buy the business and break it up?

"I don't think you can hide your head in the sand and be against change, even though some of that change may be unpalatable and not what you would desire. But if it is logical and conducted in a sane way, you can have no real argument with it."

Whereas Hanson's cash offer revolved around the straightforward question of price, Minorco had been fought on a variety of different fronts – such as its links with South Africa and the Oppenheimer empire, the true value of its shares and anti-trust concerns in the UK and the US.

"With Minorco, you had to go out fighting on every front, and emotion was a great help," Mr Agnew added. "On this occasion, what you need is sound financial arguments."

These might take time to develop, since as Mr Agnew concedes, Consolidated Gold Fields has already put a lot of its goodies in the shop window in order to fight off Minorco. Moreover, it seems unlikely that the Hanson offer will get tangled up in the US courts in the way that in effect killed the last bid. "Some legal issue might pop out of the woodwork, but we are not thinking in those terms with this one," Mr Agnew said. "The Hanson offer appears to be a straightforward question of shareholder value."

The Minorco bid, by contrast, had threatened the break-up of a British company for the ultimate benefit of tax-free shareholders in a Luxembourg-based company. "I have very strong opinions on Minorco," Mr Agnew added, just in case the point was not already clear.

Lord Hanson has a reputation for aggressive knifework on his acquisitions, and some of Gold Fields' assets – like its elegant headquarters in a very smart part of London – would seem unlikely to remain long under his regime if the bid succeeded. But then "Minorco had said on day one that they were going to sweep away everything other than the operating management in the field."

There was certainly no mood of surprise or panic in the St James's office yesterday. It was
Continued on Page 24

Executions in Peking reach 27 as outcry continues

By Steven Butler in Peking

CHINA put seven more of its citizens to death in Peking yesterday, ignoring an international outcry against the execution of pro-democracy protestors.

This brings to 27 the number of executions in the last two days, including three in Shanghai and 17 in the city of Jinan. The crimes of the 17 in Jinan, Shandong province, are not clear.

The executions seem bound to embitter relations further between China and the West, where widespread revulsion has been expressed, along with calls for stiff sanctions.

However, Mrs Margaret Thatcher, the UK Prime Minister, yesterday rejected suggestions that Britain should call for European Community sanctions when leaders of the 12 member states meet in Madrid on Monday. She said such action could cause "panic" in Hong Kong.

EC leaders are expected to issue a strong condemnation of the continuing executions.

The European Commission is considering suspending all its co-operation projects in China.

In Washington Mr James Baker, Secretary of State, told Congress that the US did not at present plan any further diplomatic or economic sanctions against China.

In Peking the seven executed had been convicted of burning military vehicles, stealing equipment, and attacking troops during the turmoil there three weeks ago.

Amnesty International, the London-based human rights group, has said that more than 200 were reported to have been executed in China during 1987.

More than 3,000 people were put to death in 1983 during a nationwide anti-crime campaign. Many of the executions took place in large public stadiums.

Chinese state security organisations swung into action around the country yesterday, arresting 13 people who were alleged to have been spies for the Nationalist Party in Taiwan. They were are also accused of fanning unrest.

The arrest of the 13 seems timed to coincide with a propaganda campaign aimed at discrediting the protest movement, which the Peking leadership says was manipulated by a small minority of rebels intent on overthrowing the Government.

China's old men, Page 4

Gonzalez calls for decision on economic union

By David Buchan in Brussels and Ian Davidson in Paris

LEADERS of the 12 European Community states should "adopt a decision" on economic and monetary union when they meet in Madrid next week, Mr Felipe Gonzalez, Spain's Prime Minister and the summit host, has told his fellow heads of government.

In the traditional host's letter preceding an EC summit, he confirmed that he wants to give top billing to the two issues – monetary union and social affairs – which will give his British counterpart, Mrs Margaret Thatcher, maximum political discomfort.

The Madrid summit takes place at an "especially momentous" time, Mr Gonzalez said, with the EC halfway through its single market programme and substantial changes on the international stage and this month's European Parliament elections "confirm the vitality of our European construction venture."

His last reference is significant, in view of the overall leftward shift in the polling which appears to indicate support for an EC workers' rights charter.

Mr Gonzalez proposes to begin the meeting on Monday morning with "a thorough debate" on the Delors committee report on economic and monetary union, which will get "all the time and attention it deserves." He hopes that this will produce "substantial progress."

No one expects the summit to produce a snap vote to revise the Treaty of Rome, as happened at Milan in 1985.

But Mr Gonzalez seems to be indicating to Mrs Thatcher that while there will be plenty of time for bargaining, at the end of the day the majority of EC states which support the entirety of the Delors report will want to put that firmly on record.

The French and West German governments said that they will also be seeking reasonable progress on the main agenda, but they will not be looking for a confrontation with Britain.

During a working lunch in Paris, President François Mitterrand and Chancellor Helmut Kohl agreed on a "common will" to seek progress both on Economic and Monetary Union, and on the Community's social dimension.

Pöhl warning, Page 2; Editorial comment, Page 22

Takeover battle for Gateway speeds up as bids exceed £2bn

By Nikki Tait in London

A HIGH-SPEED auction for the Gateway, the UK food retailing group, broke out yesterday with the two rival bidders raising their offers in quick succession and sizeable tranches of the group's shares changing hands.

By the end of day Isosceles, the newly-formed company headed by accountant Mr David Smith and advised by SG Warburg, had increased its leveraged offer from 215p a share to 230p, valuing Gateway at £2.05bn ($3.18bn).

Isosceles also claimed control of 44.8 per cent of its target. However, part of this comes from acceptances and shares owned by parties acting in concert with Isosceles. The company itself nows owns 37.6 per cent of Gateway's equity and has a further 1.9 per cent irrevocably pledged to it.

The new Isosceles offer, however, was speedily topped by a revised joint bid from partnerships managed by Wasserstein Perella, the US corporate finance boutique, and Great Atlantic and Pacific Tea Company, the fourth largest food retailer in the US. WP/A&P raised their terms to 235p a share which won recommendation from Gateway itself.

The WP/A&P camp also attempted to pick up shares through the market. By 4pm, Samuel Montagu, the UK merchant bank advising the WP partnerships, announced that it had taken its stake to 1.8 per cent and subsequent purchases by Samuel Montagu and NM Rothschild – advising A&P – are thought to have raised it to slightly above 3 per cent in later trading.

The high-stakes poker game started just before lunch, when Isosceles announced it had bought a 15.1 per cent stake in Gateway from Associated British Foods. The shares were acquired at 230p and this increased price was extended to all shareholders.

After increasing its offer, Isosceles attempted to push up its holding in Gateway through market purchases. However, the rival bidders said quickly they were considering their options and by half past one, the announcement of their new terms was also on the table.

Isosceles then compounded the delicate situation by stating that it would not accept the revised A&P/WP offer in respect of the shares it controlled. It also reserved the right to review the value ascribed to shares in Isosceles, thus determining the value of the cash and paper alternative.

Isosceles' previously stated cash and paper alternative would give shareholders cash of 215p and shares in Isosceles "having a value of not less than 15p."

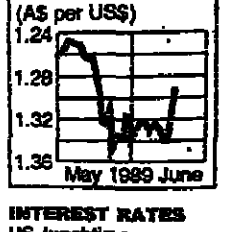
It said last night that no additional financing was involved in its new offer.

The WP/A&P camp said that their increased funding for the £2.09bn offer would come from A&P and the Wasserstein Perella partnerships, rather than the banking backers.

Lex, Page 24, London Stock Exchange, Page 37

MARKETS

Australian $
against the US$



INTEREST RATES
US lunchtime
Federal Funds 9 3/16% (9½)
3-mth Treasury Bills: yield: 8.426% (8.416)
Long Bond: 106 1/32 (105 9/32)
yield: 8.298% (8.336)
London
3-month interbank: close 13 11/16% (same)

STERLING
New York lunchtime
$1.54525 (1.5555)
London:
$1.5530 (1.5495)
DM3.0425 (3.0525)
FFr10.3325 (10.3625)
SFr2.6200 (2.6375)
Y219.00 (222.75)

DOLLAR
New York lunchtime
DM1.9665 (1.962)
FFr6.6730 (6.6565)
SFr1.6955 (1.692)
Y141.30 (142.55)
London:
DM1.9595 (1.9700)
FFr6.6525 (6.6875)
SFr1.6875 (1.7025)
Y141.00 (143.75)

GOLD
New York latest
Comex Aug
$374.2 (375.7)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,479.51 (+14.60)
S&P Comp
321.71 (+1.23)
London:
FT-SE 100
2,180.0 (+7.8)
World:
140.78 (Wed)
Tokyo
Nikkei Ave
33,324.97 (-20.31)
Frankfurt
Commerzbank
1,844.2 (+14.7)

OIL
Brent 15-day (Argus)
$17.25 (+0.47) (July)
West Tex Crude
$19.255 (-0.02) (Aug)

CONTENTS

Djilas calls up phoenix from Communism's embers

Milovan Djilas is the Communist world's longest-surviving dissident, and among its most distinguished. He was the first to criticise from within the cruelties, stagnations and inevitable impasses of state Socialism.
Page 3

Paris and Bonn seek accord on telecom market

By Hugo Dixon in Bonn

WEST GERMAN and French officials will be meeting in Düsseldorf today to see whether they can thrash out an acceptable compromise on how Europe's Ecu 75bn (£50.4bn) a year telecommunications services market should be liberalised.

The European Commission's ambitious scheme for freeing up much of this market has run into deep water recently as the result of criticism from several of the Community's governments, led by France.

Even Germany and the UK, both of which support the basic principles behind the reform, have been embarrassed by the way the Commission has tried to force it through without a vote.

Today's meeting between the Bundespost, the German telecommunications monopoly, and France Telecom, offers one of the best chances of breaking the deadlock.

If they can reach agreement, it is likely it will become the consensus for the rest of the community. The special relationship between France and West Germany was highlighted in an interview this week by Mr Christian Schwarz-Schilling, Germany's telecommunications minister.

"If there is a split between Germany and France, there will be no European market at all. We are not hesitating, but we have to do our political jobs. We must not sacrifice our friendship with France," he said.

The two countries find themselves on opposite sides of the debate because of different approaches to telecommunications liberalisation at home.

Since the Socialists returned to power last year, France has become more *dirigiste*. Germany, on the other hand, has moved from being the bastion of monopolistic attitudes to one of Europe's more liberal countries – a change incorporated in a new telecommunications structure which comes into force at the beginning of next month.

The Germans are hoping they can persuade the French to accept the Commission's liberalisation plan. However, they are expected to sweeten the pill by suggesting that the proposals should not be fully implemented until the beginning of 1993.

It remains to be seen whether this will be acceptable to the French.

The Germans refuse to be pinned down in public on whether the Commission should abandon its controversial approach of forcing through its programme and put it to a vote. Mr Schwarz-Schilling would not give a clear answer on this in spite of repeated questioning.

In private, however, officials admit that they want the Commission to reserve the right to force the reforms through in the event of a compromise not being reached.

They are not willing to say so in public because of fears that a similar technique will be used in other areas where they disagree.

The British government is taking the same approach of supporting the Commission in private but not committing itself in public.

Proposal on compulsory EC car standards

By William Dawkins and Kevin Done in Brussels

FULL proposals for a mandatory system of EC-wide technical approval for cars should be in place by the middle of next year, a senior Commission official said yesterday.

The Brussels authorities will table the three technical directives needed to complete the present set of voluntary European standards for cars by the end of this year, said Mr Heinrich von Moltke, deputy director general of the Commission's industry department.

He told a seminar at the Centre for European Policy Studies that the Commission would then table plans to make the system mandatory in 1990.

The present incomplete voluntary standards guarantee free access across the EC to cars that use them, but leave it to producers to have their own norms for cars sold purely in their domestic markets. Community standards would have to apply across the board if EC governments accept the forthcoming technical plans.

The remaining three to be tackled, from the full set of 44, cover windscreens, tyres and towing weights. Brussels proposed all of them in the early 1970s, but the French government, supported by Italy, has blocked agreement, fearing they will make it too easy for Japanese cars to invade their highly-protected markets.

Under the EC's new rules, these standards only need majority support, rather than unanimity as before, so France and Italy could be outvoted.

The Commission will also propose separate harmonisation plans next year for buses, coaches, trucks and motorcycles, said Mr von Moltke.

Ferrari UK designer runs out of road

By John Wyles in Rome

Nigel Mansell at the wheel of the Ferrari F1-89 earlier this year

At the outset three years ago it seemed to be a union which promised more for Anglo-Italian relations than a dozen royal visits to Rome.

But the frequently testy relationship between John Barnard, British racing car designer extraordinary, and the Ferrari Formula 1 racing team has ended in disappointment and disillusion.

Barnard's refusal to move from Surrey to the Ferrari base at Maranello has long been seen as an affront by those who report on motor racing for Italian newspapers.

But even they could have forgiven the perfectionist Briton for any cultural snub if he had provided a winning car. Sadly, the chequered flag has rarely waved over the Ferrari prancing horse during the Barnard years.

The Barnard car has failed to finish in 10 of 11 starts. The one race it did survive, on the first day of the season in Brazil, was a story book first place with Britain's Nigel Mansell at the wheel.

"A thousand day reign which leaves no regrets," said one headline in yesterday's La Stampa newspaper, which only the mischievous would interprete as the official view of the Fiat group – Barnard's Italian employer and the owner of La Stampa.

The designer was hired in 1986 by the old autocrat himself, Enzo Ferrari, who regarded him as a "maestro" and indulged him to the extent of building a research and design centre in Guildford.

After Ferrari's death last year, the tough Fiat professionals from Turin moved in, exercising the right of proprietorship which had been theirs since 1969 but never exercised during the old man's life.

They too, like the racing team's millions of adoring followers, must have been puzzled as to why Barnard could not turn the trick which delivered three consecutive world championships between 1984 and 1986 for the Maclaren team with cars of his design.

At a meeting in Maranello on Wednesday with Piero Fusaro, the Ferrari president, and Cesare Fiorio, the team manager, Barnard would not budge and Ferrari, therefore, would not renew his contract which expires at the end of the season.

Human rights and the exit visa test

By Ian Davidson in Paris

MR VLADIMIR Tsivkin, a 38-year-old engineer, was sitting yesterday on a platform in a public hall in Paris, next to Alexander Lerner, a 33-year-old naval architect, and Semyon Axelrod, a 32-year-old computer programmer. All three ung men had come from Leningrad to Paris, as concerned visitors to the first East-West Human Rights Conference.

They are eloquent witnesses to the contrasts and the contradictions in the opening-up of conditions in the Soviet bloc. In principle, all 35 signatories of the Helsinki Final Act, and of this year's subsequent Vienna agreement, committed themselves to allow their own citizens to attend the Human Rights Conference.

The Soviet Union lived up to this commitment, and is the only East bloc country to have done so; but only to a limited extent: if these three young men were allowed to come to Paris, at the invitation of the French human rights group Committee of Fifteen, five others were refused permission to attend the conference.

Moreover, Mr Tsivkin only received his passport yesterday morning, to attend a conference which started a month ago, and which closes at lunch-time today.

On the other hand, the three visitors from Leningrad have been enabled to give publicity to the plight of the Jewish refuseniks, forbidden by the Soviet authorities to emigrate. The Committee of Fifteen has a dossier of 630 names of refuseniks, which it claims falls far short of the full total.

In 1985 Mr Mikhail Gorbachev told French television that the possession of state secrets was the only reason for refusing an exit visa, and that such a refusal could only last five years. Mr Tsivkin has been seeking an exit visa for ten years, which has been refused due to sensitive employment which he left 11 years ago.

His two companions are being denied exit visas by the "poor relations" provision, under which a would-be immigrant needs the agreement of his close relatives before he can leave the Soviet Union.

Sir Anthony Williams, the chief British delegate, yesterday said that the four-week conference had been a success, because it had got the new human rights mechanism off to a good start. Some semi-official Western participants claim that they have found the Soviet representatives comparatively ready to discuss the issue of emigration, and believe that the problems of the Jewish refuseniks may be open to negotiation.

In his closing statement yesterday, Sir Anthony said that the conference had been a success for the number of interesting ideas put forward.

Pöhl warns against weakening Bundesbank

By David Marsh in Munich

THE WEST GERMAN Bundesbank president, Mr Karl Otto Pöhl, yesterday warned the Bonn government against taking hasty steps to weaken the central bank's monetary policy powers as part of a move towards European monetary union.

Mr Pöhl's comments represented a strong defence against any possible moves to tamper with the Bundesbank's monetary autonomy.

The Bundesbank president issued his call a few days ahead of next week's European Community summit in Madrid, at the annual meeting of the IFO Economic Research Institute in Munich.

Mr Pöhl said that a series of already agreed steps towards greater economic convergence in the Community would have to be implemented before any new and far-going institutional changes could be considered.

The measures which would need first to be put into effect included the setting-up of the Community's single market, the entry of all Community members into the European monetary system, and the full liberalisation of capital movements.

Confirming his pragmatic views about the opportunities for increased monetary co-operation, Mr Pöhl said monetary convergence in the Community did not necessarily require establishment of new institutions.

Concerning the question of setting up a European Central Bank system to harmonise monetary policies, he said that strict conditions should be laid down.

There should be no question of transfer of "monetary policy competence" without a formal treaty ratified by parliaments.

This would effectively take the place of the Bundesbank law underwriting the central bank's independence when it had been set up in 1957, he said.

"I must doubt whether the time is right for such a far-reaching renunciation of sovereignty," Mr Pöhl said, echoing some of the language used about European monetary union by Mrs Margaret Thatcher, the British Prime Minister.

Mr Pöhl declared that, for the functioning of monetary union, neither a common currency nor a European central bank was necessary.

"It is more important that the member-countries should follow a consistent policy with the same objectives," he said.

A government conference to set up a new monetary system would run the risk of being called too early and of being badly prepared. This could split the Community and lead to failure.

The Bonn government could water down the monetary autonomy of the Bundesbank only if it was sure of replacing it with something "equivalent or better", Mr Pöhl went on.

This was by no means certain.

The report on monetary union drawn up under Mr Jacques Delors, the Commission president, had set down a range of principles for a future European central bank system, but it was "doubtful" how and if these could be realised.

Schönhuber urges coalition of W German conservatives

By David Marsh in Munich

MR FRANZ SCHONHUBER, chairman of West Germany's far-right Republican Party, yesterday flung down the gauntlet to the country's mainstream conservatives by calling on them to join him in future coalitions or else risk further ebbing of power.

Mr Schönhuber, profiting from 7.1 per cent of the votes in Sunday's European elections, gave an ebullient press conference in a Munich beer cellar yesterday in which he underlined his pleasure at potentially holding the balance of power in Bonn.

He said that alleged smear campaigns against his party from the established right – the Christian Democratic Union (CDU) and the Bavarian Christian Social Union (CSU) - would add to his party's support.

As a result of West Germany's generous party financing rules, the Republicans will gain DM16m (£5.12m) in taxpayers' funds following Sunday's score. Mr Schönhuber said the money would be used to boost organisation, especially in north Germany, improve the party newspaper, and step up preparations for future campaigning.

The Republicans fight on a campaign of "Germany first." They strongly refute any idea of being Nazis, but favour reducing immigration and payments to the European Community, and standing up for unity between East and West Germany.

Achieving German reunification would be his highest priority in the Strasbourg parliament, Mr Schönhuber said.

The party has now just under 18,000 members. Critical TV programmes and threats by the CDU and CSU to isolate his party's members only added to the Republicans' appeal, he claimed. He said that the party had won 40 new members after a bruising interview with him on the Second German TV channel (ZDF) this week.

The interviewer, Mr Schönhuber said, refused to say "thank you" to him afterwards. "He would have said thank you to a terrorist," he added, nursing his injured pride. Mr Schönhuber declared that the CDU and CSU were following policies reminiscent of Joseph Goebbels and Josef Stalin by casting aspertions on his private life.

Mr Schönhuber said his tactics had "succeeded" in persuading Chancellor Helmut Kohl to maintain in office Mr Heiner Geissler, the CDU general secretary, whom the Republicans claim as their greatest vote winner.

INQUIRY CONDEMNS MASSACRE AS UNCONSTITUTIONAL

Defiant Georgia dismisses leader

By Quentin Peel in Moscow

THE GEORGIAN Communist Party, taking an increasingly independent line from Moscow since the tragic massacre of 20 nationalist demonstrators by Soviet troops in April, has sacked its Russian deputy leader, in a new gesture of defiance.

The dismissal was revealed this week when a Georgian inquiry into the massacre declared the use of regular troops against the demonstrators was unconstitutional.

Mr Boris Nikolsky, the Communist Party second secretary, holding a job always filled by a Moscow appointee, was removed from his post at a central committee meeting last Saturday.

He was strongly criticised by many Georgian leaders as the key link man in the decision to authorise the use of troops against the demonstrators in Tbilisi, the Georgian capital, on April 9.

The use of teargas, including elements of poison gas, and sharpened shovels by the soldiers led to the deaths of 20 demonstrators.

First notice of the Georgian Communist Party's defiance was given by Mr Givi Gumbaridze, who took over as party leader after the massacre, and angrily denounced the Soviet military commander, General Igor Rodionov, in the Congress of People's Deputies.

Mr Gumbaridze, who was briefly head of the KGB in the republic, has clearly recognised that he cannot resist the wave of nationalism aroused by that event. The sacrifice of Mr Nikolsky is yet another indication of this..

The Georgian commission of inquiry declared "the use of army troops to disperse the meeting was a violation of the constitution of the USSR."

It is still unclear who gave the order for troops to be used. Such a move supposed to be sanctioned by a joint decision of the presidiums of the USSR and Georgian Supreme Soviets.

Mr Mikhail Gorbachev, the Soviet leader, and president of the USSR presidium, insists Moscow was not aware of the decision until after the massacre.

Mafia hunter beats bomb plot

By John Wyles

PALERMO'S most celebrated Mafiosi hunter, Mr Giovanni Falcone, appears to have been the target of an assassination plot involving sub-aqua divers and a remote-controlled bomb made of 58 sticks of gelignite.

Mr Falcone has long been regarded as a prime target for the Mafia not only for his successes in jailing some of its leaders, but also for the sensitivity of his investigations into links between Sicilian organised crime and politicians.

The 50-year-old magistrate reportedly rented a seaside villa about three weeks ago on the coast at Addaura to the north of Palermo. If he had taken an early morning swim on Wednesday, he, his villa and others up to 70 metres away would have been blown up. But a guard saw a bag on the rocks and gave the alarm.

Police discovered a remote-control device for triggering an explosion, either by sea or land. They also found a diving suit – enough to justify the suspicion that his enemies wanted as much to warn as to murder Mr Falcone.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Djilas calls up phoenix from Communism's embers

Long-term critic points to opportunity in collapse of the system, write **John Lloyd** and **Judy Dempsey**

"THIS IS the end, in Poland and Hungary, not just of Stalinism but of Marxism-Leninism," says Milovan Djilas. "In the Soviet Union Leninism still continues for the moment but they cannot stop at a criticism of Stalin . . . Marxist Socialism was the first idea to spread all over the globe . . Religions did not manage to do it, and now this idea is coming to an end."

Mr Djilas is the Communist world's longest-surviving dissident, and among its most distinguished. He was the first to criticise from within the cruelties, stagnations and inevitable impasses of state Socialism.

He was, and remains, an intellectual, but was also a Yugoslav partisan, Vice-President to Tito after the war, and a "negotiator" with Stalin during 1947-48 when Yugoslavia broke with with Moscow.

In 1950, he denounced the "nationalist obscurantism" of the Soviet Union, its imperialism, its "grey and standardised thought", its pervasive informers, its networks of espionage.

In a Yugoslavia justifying its independent stance, this was fine: but he then turned the sword on his own country. In articles in Borba, the party paper, and his 1956 book "The New Class", Mr Djilas described Socialism as a system for industrialising backward countries which inevitably produced tyranny.

He proved his point by receiving a seven-year jail sentence, which did not stop him from deepening his critique, in "The Unperfect Society" (1969), in which he wrote: "Until the Communists' monopoly of political power is broken, reform – however well intended – will have no real value."

This prophet 20 years ahead of his time still lives in a comfortable flat in the centre of Belgrade and remains alive to the inner movements of Communist societies. He believes that the final collapse of the Communist order is only a matter of time: but that, within this collapse, a new kind of politics could – must – be born.

"Marx was not a scientist: he used science for utopian aims. This gave Communism its strength – because Marxism-Leninism is Utopia, but with a difference: it was Utopia allied to practice and now the possibilities of practical utopianism are seen to be exhausted."

Djilas: still a revolutionary

Are there no possibilities for the refreshment of Marxism? "No. Not in the East, and Western Marxism is in the universities and a few dogmatic groups . . . Times have changed. You cannot struggle against capitalism to achieve something more efficient, because it is the most efficient.

"This is not capitalism from the time of Marx and Lenin. It is not imperialism. There is now only Soviet imperialism. There is, of course, capitalist financial exploitation - but this is trade, it is not political domination."

Does not China argue against this optimism? "This is only a period; they are fighting to survive, the monopolist group at the top, trying to keep power . . . Of course, it influences the consciousness of people in other Communist states.

"It assists in a de-ideologising process, in the disillusion with the Communists. People think, tomorrow this may happen here, and we will lose the freedom we have."

On Yugoslavia, he is "no longer a partisan for anyone" but sees ability in Mr Slobodan Milosevic, the Serbian president whose championing of Serbian nationalism has frightened ethnic Albanians and Hungarians in the autonomous regions of Kosovo and Vojvodina (over which Serbia has reasserted control) and many in Yugoslavia's other republics.

"The Western press criticises the Serbian Communist party, but it forgets the objective situation of the Serbs. They were humiliated in these last years. The regions are not responding. The requests to serve the issue were blocked by other republics who fear a strong Serbia. But that is a mythic fear."

Mr Djilas, once a Stalinist, later became a free marketeer and a democrat when this was thought, quite literally, to be mad. He approves the measures which Mr Ante Markovic, Yugoslavia's Prime Minister, is trying to push through, but fears the blocking power of the republics, and of party conservatives.

"Besides, the root of the problem is Socialist ownership. This is a fiction. It does not exist. No-one knows who is the owner of anything . . . There is no room for private ownership.

"In every Socialist country this will be very difficult to change. Because without political pluralism you cannot change the economic power. So all the reforms would be without result, they cannot work. They do not go to the roots, to the essence. The whole system must be overthrown."

To the suggestion that he remains a revolutionary, he responds: "I am a revolutionary. I am not for violence now, but my intellectual approach is revolutionary.

"Some day the party must bring in institutions like they are doing in Poland and Hungary to cement liberalisation: if it does not, Yugoslavia will disappear. We do not have long, perhaps two years . . . the crisis is slowly coming to a head. This is democratisation through the whole of Yugoslavia, it is a positive process, but it is difficult for people."

Mr Djilas, slowly being reinstated in his own country and in the Socialist bloc – a Soviet publisher has applied to publish his "Conversations with Stalin" - sees an opportunity in the collapse of the system he has long predicted.

"We are now on the verge of some of the greatest events in human history. In the third of the world which Communism has ruled, it is now practically dead. And that third of the world must find a new way – how, nobody can say. We need a new politics."

Socialists revise objections to market economy

By Robert Taylor in Stockholm

THE SOCIALIST International, which groups more than 80 left-wing and social-democratic parties from around the world, yesterday embraced the market economy and rejected the idea of nationalisation of industry as a "remedy for social ills," in a major revision of its basic principles.

Mr Willy Brandt, the organisation's president, said "broad experience" had convinced Socialist parties around the world that they were mistaken in having "strong confidence in the role of the state in the economic process."

The new Socialist manifesto asserts, "Markets can and must function as a dynamic way of promoting innovation and signalling the desires of consumers through the economy."

It continues, "Markets should not be dominated by big business power and manipulated by misinformation" and suggests that the state "must regulate the market in the interests of the people."

The Stockholm declaration adds: "Neither private nor state ownership by themselves guarantee either economic efficiency or social justice. The democratic socialist movement continues to advocate both socialisation and public property within the framework of a mixed economy."

Mr Brandt said the new declaration of principles differed in other significant ways from that drawn up by the Socialist International in 1951 in Frankfurt when it reconvened after the Second World War. "That document was very much influenced by the Cold War," he said.

Today the Socialist International has almost as many party affiliates from Latin America as it does from western Europe, although its theory and practice still seem to be heavily influenced by German and Scandinavian Social Democrats.

The Stockholm conference, convened to mark the International's 100th anniversary, grouped such leaders as Britain's Neil Kinnock, French premier Michel Rocard, Italy's Bettino Craxi and West Germany's Hans-Jochen Vogel.

Observers from the Palestinian Liberation Organisation and Oliver Tambo of the African National Congress were also present, along with a wide range of Third World politicians. It was a subdued affair compared with the idealistic conferences of the International's early days.

Mr Rocard said, "Democratic Socialism has broken with the Messianic dimension of early Socialism. Too often in the past, utopian visions of a perfect society have proved destructive. No longer do we have a ready-made blueprint for social change to offer the rest of the world."

He pointed out that the achievements of political pluralism and social protection had been achieved slowly and only after Socialists had disassociated themselves both from violence and regarding the state as protector.

Mr Rocard added that Socialists had "no wish to rob our society of the dynamism that springs from competition between free firms. All we are concerned with is to avoid confusing justice with free market economics."

Setback for Greek Socialists' hopes

By Andriana Ierodiaconou in Athens

THE GREEK Socialists' hopes of remaining in power following last Sunday's inconclusive general election through a coalition government with the opposition Communists received a serious setback yesterday.

The Communist Alliance, which ran third last Sunday with 28 seats in the 300-member house, called for the setting up as soon as possible of a national unity government responsible for prosecuting members of the defeated Socialist administration implicated in financial scandals, and holding new elections.

"We believe this solution reflects popular feeling and serves the national interest," an Alliance announcement said.

Alliance officials accused the Socialists, who remain in office in a caretaker capacity, of continuing to promote a party state.

The national unity government solution to the deadlock resulting from the election is prescribed by the Greek constitution, in the event that no party proves able to form a viable government.

The Alliance is currently being wooed for support by both the conservative New Democracy (ND) party, which finished first last Sunday with 145 seats, and the Socialists (Pasok), who came second with 125 seats.

The Communists had made clear immediately that there was no question of co-operating with Pasok as long as it continued to be led by Mr Andreas Papandreou – currently the acting Prime Minister – and continued to host within its ranks figures implicated in financial scandals.

At the same time they ruled out supporting the Conservatives.

However, the Alliance was expected to try to negotiate a compromise with Pasok when its turn came to try to form a viable government after the Conservatives and the Socialists had both had their turn.

There was speculation that efforts would be made to persuade Mr Papandreou to yield the premiership to a consensus figure, while retaining the party leadership.

Following yesterday's move, it appears that the Communists' main priority now is the removal from the hands of the Socialists of the last traces of governmental power.

Hungarian ruling party looks for allies

By Leslie Colitt in Berlin

HUNGARY'S Communist Party will go into opposition if defeated in next year's planned elections, Mr Imre Pozsgay, the ruling politburo's leading reformer, has said.

Recent polls showed the Communists would receive only 36 per cent of the ballots if elections were held now. The party, however, hopes to form a coalition with one or more opposition parties in order to continue in power.

Mr Pozsgay also said that, as a result of a compromise at the current talks with non-Communist opposition groups, the party agreed not to submit three draft laws to a session of Parliament next week.

The nine opposition groups had objected that the laws should not be acted upon by a parliament which was not freely elected. Instead, the main features of the legislation are to be worked out at the talks.

The three draft laws deal with the establishment of political parties, a constitutional court and a new presidency.

A spokesman for the opposition, Mr Imre Konya, hailed the party's decision as its first "spontaneous democratic step." He said the opposition in return would agree the party's proposal to discuss future economic strategy at the talks. Unlike the recent balloting in Poland, the Hungarian election which may be held next March will not guarantee any seats to the Communist party in the single-chamber legislature.

Opposition groups resisted attempts by the party to enter into coalition talks prior to the election. It is widely assumed that only a thoroughly reformed Communist party with a new leadership will stand a chance of forming a political alliance.

Mr Pozsgay is one of the few politburo members with whom the non-Communist parties would co-operate.

Swiss assets rise to record level

By John Wicks in Zurich

SWITZERLAND'S net foreign assets rose last year from SFr271bn to a record level of SFr300.4bn (£113.9bn), according to estimates published by Union Bank of Switzerland.

This reflected rises of some 11 per cent in both assets and liabilities to respective peaks of SFr646.3bn and SFr345.9bn.

Among the assets, the biggest single Swiss holdings abroad were those of securities, up over the year from SFr217.2bn to SFr250.3bn.

Bank assets were up from SFr176.5bn to SFr186.1bn, while fiduciary holdings jumped from SFr46.3bn to SFr57.4bn.

Industrialised states boost aid to developing world by 6.7%

By Ian Davidson in Paris

INDUSTRIALISED countries increased their official aid transfers to developing countries to $47.6bn (£30.7bn) last year, compared with $41.5bn in 1987, according to the latest annual report by the Development Aid Committee (DAC).

This represented a 6.7 per cent increase in real terms, after allowance for exchange rates and prices, and raised the average share of official development aid of DAC member states to 0.35 per cent of GNP.

The rate of increase in official development aid transferred by governments was significantly offset by the opposite movement in transfers of private development resources, which fell to $32.9bn last year, from $35.6bn in 1987.

If private sector resource flows are added in, total resource flows to developing countries from all sources, public and private, from all countries and from multilateral institutions, reached $103bn in 1988, compared with $97bn in 1987. This effectively marked no change in real terms.

The increase in official development aid spending last year cannot be taken as a shift in long-term trends, the Development Aid Committee warns.

The 1988 figure was swollen by a concentration of spending which had been available for the years 1987 and 1988; conversely, the large note deposits made in 1988, in connection with the eighth replenishment of IDA, will probably have the knock-on effect of dragging down the figures for 1990.

Belgium was the only member of DAC which spent less on development aid last year than the year before. Its official aid payments fell by 15.8 per cent in 1988, to $592m, or 0.39 per cent of GNP, compared with 0.48 per cent the previous year.

All other members spent more on official development aid last year, however; the biggest increases were registered by Japan, the US, the UK, Australia, Canada, Italy and Finland. Japanese official development aid rose by 8.1 per cent in real terms last year, to $9.13bn, or 0.32 per cent of GNP.

American development aid rose by 5.7 per cent in real terms to $9.78bn, though the GNP share remained stable at 0.20 per cent.

Decline forecast in nuclear electricity

By Maurice Samuelson

NUCLEAR electricity output by Western industrialised countries will reach a peak next year before declining steadily to the end of the century, according to the Nuclear Energy Agency.

The Agency, an arm of the Organisation of Economic Co-operation and Development, found that the quantity of nuclear electricity generated in OECD countries last year rose by 8.9 per cent to provide 23.5 per cent of total electricity demand.

Using figures from OECD states, it predicts that the contribution by nuclear power stations will be highest in 1990 at 23.8 per cent of electricity supply and then will fall to 22.7 per cent by the year 2000.

Last year, 10 nuclear reactors came on stream in OECD countries, bringing the total to 320, with a capacity of 247 GigaWatts (247,000MW). There are also 50 reactors under construction, four more firmly committed and 17 in the planning stage.

Nuclear Energy Data, 44 pp; OECD Paris; Fr35.

ANC 'preparing for talks with Pretoria' on apartheid

By Patti Waldmeir

THE AFRICAN National Congress (ANC) yesterday gave the clearest signal yet that it is preparing for negotiations with the South African government over the ending of apartheid.

Mr Aziz Pahad, a member of the organisation's National Executive Committee (NEC), made it clear at a briefing in London yesterday that the ANC's terms for negotiations had not changed and that there was no early prospect of talks between the two sides.

It was important, however, for South Africans to determine the parameters of such talks – aims, preconditions, duration and participants – rather than have the framework dictated by outsiders.

Governments and organisations around the world were attempting to set up such a meeting and establish the terms on which it would take place, he said, citing behind the scenes efforts by the US and European Community. There has also been speculation that the recent independence settlement in Namibia, jointly orchestrated by the US and Soviet Union, could encourage joint superpower efforts to bring about change inside South Africa as well.

"It is time for the people of South Africa to elaborate a joint position on the issue of negotiations," said Mr Pahad.

"We are wary of constitutional models being hatched all over the world on our behalf."

Mr Pahad disclosed that the ANC had drawn up what he called a "consultative document." A recent meeting of the NEC – which was preceded by a meeting with representatives from the United Democratic Front (UDF) and the Congress of South African Trade Unions (COSATU) – agreed it would be circulated to anti-apartheid organisations both inside and outside South Africa.

The document, which he did not release, raises issues such as the cessation of violence by both sides, the role of the international community in fostering negotiations and the possibility of setting up a transitional government. It is one of a series of position papers prepared by the ANC over the past 18 months, including an outline of constitutional principles which are being debated within trade union and other organisations in the country.

The latest document forms part of the process of preparing ANC members for the eventuality of talks with Pretoria, although Mr Pahad stressed he was sceptical that the government was ready either to meet the ANC's conditions for such talks or to undertake significant changes.

In his view, the expected accession of Mr F W de Klerk to the position of State President would not mark a watershed in the process of political change in the country.

Mr Pahad said Pretoria had gone onto the offensive diplomatically to persuade the outside world of its commitment to dismantling apartheid.

Mr F.W. de Klerk, South Africa's likely next president, said yesterday fundamental reforms were needed for a peaceful solution to his country's racial conflict, Reuter reports from Bonn. Mr de Klerk, midway through a four-nation European tour, spoke to reporters after talks with Mr Helmut Kohl, West German Chancellor, that he described as "cordial and very constructive".

President Gorbachev shakes hands with Mr Rafsanjani, the Iranian Speaker, when the latter left Moscow yesterday

China's old men blind to world anger at executions

Peking's leaders are bewildered, says Steven Butler

LI PENG, the Chinese Prime Minister, is surely bewildered as to why foreign countries are suddenly making a big fuss over the execution of a few criminals.

After all, he must be saying to himself, China has been shooting its miscreants, political and otherwise, in the back of the head for years. A few groups such as Amnesty International might complain, but hardly anyone ever cared or listened before.

In any case, China was always able to boot out of the country the few brave journalists who wrote about its human rights abuses. And Western countries anxious to promote diplomatic and commercial relations with China invariably turned a blind eye.

And, Li Peng might console himself, whatever it did China never acquired in the West the negative public image earned by the Soviet Union.

But with millions of television viewers around the globe cheering China's pro-democracy protests, ruthlessly crushed three weeks ago, this era of benign neglect has evidently come to an end.

Yet China's leaders seem ill equipped to cope. Flexibility has never been part of their style, and faced with a domestic and international political crisis they have closed ranks and followed their instincts. These were honed during a bloody civil war that lasted for nearly 30 years until the Communists won in 1949. It was an era when enemies around every corner were not products of the imagination.

Li Peng told the visiting foreign minister of Pakistan on Tuesday that China would not bend under foreign pressure, as though a basic principle of Chinese sovereignty were at stake. Of course Li could be expected to say this. Yet what the government did, instead of talking tough while showing moderation, was to execute two dozen more of its citizens after receiving a batch of complaints when it executed the first three. It is obvious that a bit of mercy would have done the government a world of good, both at home and abroad.

The spirit that lies behind this inflexible approach was well expressed by Deng Xiaoping, China's paramount leader, in a speech to army commanders two weeks ago. The whole Chinese nation has been exhorted to study this speech.

Yet it is astonishing and sadly typical that while all Chinese are supposed to read and learn from it, it has never been published.

Instead, in a practice that dates back to the guerrilla war days, when secrecy and organisational integrity was a matter of survival, the speech has been handed down the party and government hierarchy, so that it could be read in groups, where only the right conclusions would be drawn.

The party hardly wants to take a chance that people will read the speech and draw their own conclusions. A copy of the speech was, however, obtained and published by the South China Morning Post.

What is apparent from the speech, as well an extraordinary article in Beijing Review detailing events leading to martial law on May 20, is that government leaders felt themselves losing power and in danger of being toppled.

In the end, this must have been a comforting feeling, because once reaching this conclusion, they knew precisely what to do: crack down.

It is evidently only the party's gerontocrats who have the experience to recognise a counter-revolutionary rebellion when they see one. And the only ones tough enough, in Deng's words, not to give the party's enemies "one iota of forgiveness."

Others (including almost every diplomat and journalist in China), Deng says, were naive enough to believe that a gesture or two to the masses would have been enough to calm the situation.

So the answer was an unforgiving military crackdown to restore order and an ideological campaign to control minds, both well-worn revolutionary techniques. Unfortunately, neither seems suited to a nation whose people are increasingly sophisticated, and who have plainly learned in the past decade to think for themselves. And they are not appropriate to a country that has wide contacts with liberal nations.

Resistance in China now shows in little episodes: sarcastic jokes about Deng's speech, bursts of anger at seeing soldiers on the street, rage in private about the numbing propaganda campaign. China's people have no choice but to toe the line in public, but they are not cowed.

Deng says China will continue to expand contacts with the outside. He does not seem to realise how difficult this will be if the harsh methods he uses to control his own people alienate foreigners with whom he wants to do business. Contacts with the outside have produced a political constituency for the Chinese people that spans the globe.

Hawke calls for takeover assurances

By Ray Bashford

MR BOB Hawke, the Australian Prime Minister, yesterday urged the British Government to ensure that decisions by the Monopolies and Mergers Commission on Australian corporate takeovers were made on purely economic grounds.

He also called for a clarification of the process and the factors which influence a decision on whether a takeover bid should be allowed to proceed.

Mr Hawke's comments, during a trade and investment conference in London, follows disquiet among several big Australian companies about decisions by the commission.

Elders IXL and Goodman Fielder Wattie, leading Australian companies, encountered severe problems with the MMC during the past 12 months while making offers for Scottish and Newcastle and Ranks Hovis McDougall.

He modified his prepared speech, however, omitting these two paragraphs: "I am aware, however, that recent decisions to refer proposed acquisitions to your Monopolies and Mergers Commission have created some unease in Australian business circles, concern which my Government has also felt on occasion.

"Short term social and cultural apprehensions in all countries which encourage foreign investment are expressed from time to time. However, unnecessary uncertainties or delays must not be allowed to hamper legitimate business decisions which ultimately underpin the living standards of all countries."

Lord Young, the Trade and Industry Secretary, pre-empted Mr Hawke's comments by saying that the Government "was not in the business of saving companies from unwelcome foreign bids." Only three of the 13 proposed Australian takeovers for British companies during the past three years had been referred to the MMC and only one had been rejected.

The Elders IXL bid for Scottish and Newcastle was rejected because the MMC concluded the "big six brewers could not become the big five".

Israel's hardline generals come to fore

By Hugh Carnegy in Jerusalem

A YOUNG radio operator in an Israeli foot patrol was phlegmatic as he emerged from the old market in Nablus, where a soldier was killed earlier this year by a breezeblock dropped on his head.

"It's our duty," he shrugged, sweating under his riot helmet. "We do it. If it's Lebanon we go to Lebanon. If it's Nablus, we go to Nablus."

His resignation sums up the general attitude of the Israeli army as it prepares for a reshuffle of its top commanders in charge of policing the uprising in the occupied West Bank and Gaza Strip.

Within two months Major General Amram Mitzna, a bearded kibbutznik in charge since before the intifada began of Central Command, which covers the West Bank, will leave his post at his own request to study abroad.

He is to be replaced by Major-General Yitzhak Mordechai, who moves from the top post in Southern Command, covering Gaza. The new commander for Gaza is to be Major-General Matan Vilnai, best known as second in command of the audacious Entebbe hijack rescue in 1976.

The army has been anything but squeamish in countering the intifada, in which more than 500 Palestinians have died, many of them shot by troops, against the loss of six soldiers. At times the army has bridled against political limits on how tough it could be.

But the standard line at Israeli Defence Force headquarters in Tel Aviv is that the uprising remains the IDF's third priority after the strategic threat from the Arab world – principally Syria – and the threat of cross-border attacks by Palestinian fighters.

As another serviceman in Nablus put it: "I don't like this job. It's not like being a soldier, it's like being a cop. This is not the way to solve the problem."

But while the army waits for the politicians to come up with a settlement, it has to get on with the job of suppressing the unrest. General Mitzna, regarded as a liberal, came under severe criticism from rightwingers, and especially hardline Jewish settlers in the West Bank, for not being tough enough. They complained, for example, that some Palestinian villages were left virtually unpoliced for long periods of time and that attacks on settlers went unpunished.

More recently, Israeli leftists complained that General Mitzna was not tough enough against settlers when they launched violent revenge attacks on Palestinians.

Now that Israeli peace proposals are on the table, the coalition government of prime minister Yitzhak Shamir has made clear its intention to step up measures against the uprising as the stick to accompany the diplomatic carrot.

The defence establishment clearly thinks that harsher measures can help keep down the level of violence. But as General Dan Shomron, the chief of staff, said last week, the army realises that that will not tackle the root of the problem. Only the equivalent of genocide could destroy the political aspirations of the Palestinians, he said.

Israel will devalue the shekel by between 1.2 per cent and 4.4 per cent against a dollar-dominated basket of currencies from tomorrow to spur a stagnant economy, a spokeswoman for the Bank of Israel said yesterday, Reuter reports from Jerusalem. She said the precise exchange rate would only be determined when the bank fixed its representative rate against the basket of foreign currencies. The shekel was last devalued in late December.

Peking to 'maintain relations with US'

By Peter Ellingsen in Peking

DESPITE STRAINS in Sino-US ties after the Chinese army's massacre of civilians earlier this month and reprisals against democracy campaigners, Peking is not about to severe relations with Washington, a Foreign Ministry spokesperson indicated yesterday.

Li Jinghua told foreign journalists China hoped to "maintain and develop Sino-US relations", provided that mutual respect and understanding could exist on both sides.

Speaking shortly after the official news agency, Xinhua, confirmed that 27 in total had been were executed for crimes linked to democracy protests, Li said China hoped foreigners would think calmly and clearly about their relations with China, and refrain from making "hasty conclusions" about recent upheavals.

Repeating Prime Minister Li Peng's, assertion that China would "not yield" to pressure from foreign governments to tone down its response to recent unrest, Li Jinghua said it was "unwise and foolish" for outsiders to try to influence China's internal affairs.

In a comment apparently aimed at sanctions announced yesterday by the US, she said economic pressure would not alter Peking's policies.

In a meeting last night with a Pakistani delegation, Li Peng said that in difficult times "it is very clear who are true friends (of China)" but at the Foreign Ministry briefing she declined to spell out to which nations the Prime Minister was referring.

The Prime Minister also hinted that the student-led drive for political reform and press freedom was fermented by foreigners. Without giving evidence, Li Jinghau said: "It is true that there are external forces who keep close contact with illegal organisations within China, and continue to instigate and give support for counter-revolutionary rebellion."

She said it was "quite understandable" that some foreign investors and businessmen had left China when the "rebellion" occured but now the situation was "normal" it was expected that many would return.

She repeated the official line that China would maintain policies of economic reform and said authorities hoped foreigners would "continue to develop co-operation with China." She said China hoped foreign governments would "look further in the future" and proceed with the aim of not harming bilateral ties.

"China won't change its policies," she said. In a heated exchange, the Foreign Ministry spokesperson was asked why soldiers had fired on foreign compounds during the army's invasion nearly three weeks ago. She said troops were replying to fire from a sniper, and avoided a request that China apologise for the attack on diplomatic compounds.

When it was pointed out that seven or eight buildings in the diplomatic area were targetted by troops, and they all could not have been hiding snipers, she said: "Actually I'm not clear on the details of these cases."

Thatcher shies away from EC sanctions

By Philip Stephens, Political Editor

MRS Margaret Thatcher, the UK Prime Minister, yesterday firmly rejected the idea that Britain should respond to the execution of individuals convicted of pro-democracy protests by leading a call for European Community sanctions.

Amid growing concern at Westminster about the crackdown by Peking, Mrs Thatcher said a move by the European Community to impose sanctions at next week's Madrid summit could cause "panic" in Hong Kong.

While condemning the executions, she said Britain's responsibility until 1997 for the 5m citizens in the colony meant it had to avoid any precipitate action.

Her comments came in response to a call from Mr Neil Kinnock, the opposition Labour leader, for the 12 Community leaders to agree in Madrid on a package of economic sanctions. Mr Kinnock said sanctions should operate until the Chinese stopped the "killings".

The Government is already under pressure to respond to China's repression of the student demonstrations by giving much stronger guarantees to the 3.2m British passport holders in the colony.

Britain has so far responded with a combination of minor measures against Peking - an end to the small-scale arms trade and the suspension of ministerial visits - with an announcement it is looking at ways to introduce increased "flexibility" in its HK immigration policy.

Cairo edges closer to deal with IMF

By Tony Walker in Cairo

EGYPTIAN and IMF officials have reported progress in talks on a new economic reform programme, after negotiations had been stalled for many months.

Egyptian officials are predicting an agreement by October that would facilitate a Paris Club rescheduling of about $4bn of Egypt's approximately $50bn foreign debt. Fund representatives are a good deal more cautious.

Dr Shakhour Shaalan, the IMF's director for the Middle East, is due in Cairo this weekend to join his deputy, Mr Paul Chabrier in talks with officials.

Egypt has been slowly meeting some of the IMF's demands. It increased electricity prices in March and subsequently raised interest rates. The Fund is asking that more be done to reduce the budget deficit and that exchange rate reform be speeded up. Egypt continues to operate a multi-tiered system of rates that bear little relation to the Egyptian pound's market value.

Egypt and the IMF have had a long and difficult relationship. The latest agreement reached in May, 1987 collapsed by the end of that year. Desultory efforts have gone on ever since to negotiate a revised arrangement.

Egypt is under greater pressure now to agree to a new reform programme with the Fund that would allow a second round of Paris Club rescheduling. It is desperately short of hard currency, many of its sources of credit have dried up and it faces the prospect of resuming next month heavy payments on its $4.5bn US military debt.

Top men switch at Japan's finance ministry

By Our Tokyo Staff

MR SADAAKI Hirasawa has been named as Japan's vice minister of finance, succeeding the retiring vice minister, Mr Akira Nishigaki.

Mr Hirasawa's appointment has triggered sweeping changes in the ministry's top echelons, to become effective over the next few weeks.

As expected, Mr Makoto Utsumi, who has been director general of the international finance bureau, becomes vice minister for international affairs, succeeding Mr Toyoo Gyohten, who is to retire.

It is widely expected that Mr Gyohten, who is well known in international financial circles, will soon secure a top job in one of the big international financial institutions.

Mr Yoshimitsu Takishima, deputy director-general of the tax bureau, will become the new director-general of the customs and tariff bureau.

Mr Toshio Osu, aged 53, a former member of the Bank of Japan policy board, becomes director-general of the financial bureau.

Mr Masaaki Tsuchida, deputy minister for policy co-ordination, becomes director-general of the banking bureau, and Mr Tadao Chino, former deputy director-general of the banking bureau will be director-general of the international finance bureau.

Mr Kyosuke Shinozawa, deputy director-general of the budget bureau, will be deputy minister for policy co-ordination.

Mr Hiroyuki Ito, aged 51, deputy commissioner of the national tax administration, is to become a new member of the policy board of the Bank of Japan.

Call girl affair throws Japanese ruling party into confusion

Ian Rodger explains why a minor sex scandal may force the Liberal Democratic Party to call an early general election

WHO WOULD have thought that Japanese political life could be thrown into confusion by a minor sex scandal?

Hitherto, the Japanese have been notorious for their indulgent attitude toward adulterous relationships among those in public life. Political scandals in Japan – and there have been many, including the recent Recruit affair – have always stemmed from financial corruption, never from personal immorality.

Yet the recent disclosures of Prime Minister Sousuke Uno's brief affair with a call girl four years ago seem to have changed all that. The Japanese public, already disgusted with politics because of the Recruit scandal has become even more hostile to the ruling Liberal Democratic Party (LDP) because of Mr Uno's dalliance.

Uno: may dissolve parliament

This week the talk in Tokyo political circles is about whether the Diet (parliament) will have to be dissolved in the autumn for general elections. Mr Uno himself admitted earlier this week that the idea was under consideration.

If that happened, the LDP could well lose its majority in the Diet for the first time in a decade. This could mean that the period of political turmoil in the country, which has already resulted in the resignation of a prime minister and has contributed to the weakening of the yen, could continue for some time.

Whether it would also lead to the much talked about overhaul of Japan's corrupt political system is more difficult to predict. The LDP has ruled Japan without interruption for more than 30 years and has showed remarkable recovery powers in the past and could well do so again.

Many analysts still doubt that the situation will deteriorate to the point at which the Diet would have to be dissolved. "Once this parliamentary session is over, the Uno affair will soon be forgotten," one Western diplomat in Tokyo predicted yesterday.

An LDP official said the party could not call an early election because it had a responsibility to prepare next year's budget.

One thing is clear; the Uno affair could hardly have happened at a worse time for the LDP. The party has been badly battered by the Recruit bribery scandal over the past year; four cabinet ministers, including the the former prime minister have had to resign because of links with the Recruit group and one former minister has been indicted.

By late April when Mr Takeshita announced he would go, the party's ratings in public opinion polls had sunk so low that there was a danger that it would lose its majority in elections for half the seats in the House of Councillors, the upper house of the Diet, that were due in July. (Japan's upper house does not have as much power as the lower house but the loss of a majority there would complicate the management of government business.)

The LDP selected Mr Uno to succeed Mr Takeshita knowing that he had no connection with the Recruit affair and hoping therefore that he would repair their sullied public image in time to prevent a serious setback in these elections.

In the event, a woman's unflattering revelations about her affair with Mr Uno four years ago have made things worse for the party, especially among women voters. Analysts say that Japanese women, hitherto meek and compliant, are not so amused by men's prerogatives these days. Moreover, many women, in their roles as homemakers, were already angry at the LDP for introducing a 3 per cent value added tax in April.

"That woman could cost us four or five seats," one LDP backroom man said. He and others are resigned to the idea that they will lose their majority in the upper house on July 23. The question now is by how much. The LDP has to win 54 of the 126 seats being contested if it is to maintain its majority.

If they lose only marginally fewer than 54 then the party could rally behind Mr Uno and carry on for several months with the process of trying to restore its image. If they lose a majority by a wide margin, then the pressure would build for Mr Uno to go. Some party insiders said this week that 50 was the crucial number, others said 45. Whatever the case, if Mr Uno has to go, the party will be in real trouble.

Most of the real leaders of the LDP, people such as Mr Takeshita who have many loyal followers in the Diet and access to large sources of election funds, cannot return to public office for about a year because of their association with the Recruit affair. Thus, if Mr Uno has to go, the party would have to reach down to the next generation of leaders, now in their early 50s. That would upset the scrupulously respected seniority system in the party and so it will be fiercely resisted by the real leaders. They would prefer to have a general election in the hope that the old Japanese tradition, by which a politician can be purified by being re-elected, still holds.

Another argument in favour of a general election among the LDP leadership is that it might dissipate the momentum for political and electoral reform. As a result of the Recruit affair, the LDP is under considerable pressure to put greater controls on fund raising and spending by politicians and to abolish the multi-seat constituency system.

Mr Takeshita promised last month that a first legislative step towards political reform would be taken this month but, ironically, the focus on the Uno affair has distracted parliamentarians and they will close their much extended session of the Diet tomorrow (Thursday) without having achieved anything.

The plan now is to introduce reforms at a special session of the Diet after the upper house elections, but they too could be forgotten or reduced to mere token proportions if the party was then in the run-up to a general election.

Some party officials believe that a lot of the public's anger will abate after it has found an outlet in the upper house election. They also think voters would be inclined to think more carefully about their options when confronted with an election for the more powerful lower house.

Another factor is the opposition parties are so weak they are unlikely to muster enough candidates for a lower house election in the autumn to oust the LDP, though some think they could win enough seats to take away the LDP's majority.

Opinion polls, usually helpful in indicating the way ahead, are extraordinarily opaque in this case. According to the latest one published last week, the Uno cabinet was supported by only 22 per cent of potential voters but all the opposition parties combined attracted only 39 per cent.

Unita caution on war summit

By Michael Holman, Africa Editor

OFFICIALS OF Angola's rebel Unita movement cautioned against prospects for a successful outcome to the summit aimed at ending the country's 14-year civil war, due to open yesterday in the northern Zaire town of Gbadolite.

Summit host, President Mobutu Sese Seko of Zaire, hopes to close the wide gap between President Jose Eduardo dos Santos, the Angolan leader, and Unita's Jonas Savimbi, over the terms for reconciliation.

President dos Santos – who yesterday followed up Wednesday's release of 700 Unita prisoners with the lifting of death sentences of 50 Unita rebels convicted of treason – expects to absorb Unita within his ruling MPLA party.

Unita have offered to take part in a coalition government which after two years would hold multi-party elections. Mr Savimbi would not play a direct role in the coalition, but would remain the Unita leader.

Last night Unita officials, who could not confirm reports that Mr Savimbi would attend the summit and meet President dos Santos.

AMERICAN NEWS

US plans no more sanctions against China

By Lionel Barber in Washington

THE US does not plan, at present, any further diplomatic or economic sanctions against China, Mr James Baker, Secretary of State, told Congress yesterday.

In testimony to the House Foreign Affairs Committee, Mr Baker said that in response to the Chinese Communist crackdown, President George Bush had taken "carefully targeted actions" which avoided inflammatory rhetoric and preserved his options for the future.

Reaction among Democrats and Republicans was generally supportive, though some congressmen expressed outrage over the Chinese leaders' decision to execute pro-democracy demonstrators in Shanghai.

Mr Benjamin Gilman, a New York Republican, said: "I hope that while we're taking prudent steps at this point, we're going to learn from the lessons of Neville Chamberlain and never get into an appeasement process." Mr Mel Levine, a California Democrat, served notice that he would propose stiffer sanctions against China in the upcoming foreign aid budget.

On Tuesday, Mr Bush said the US would seek to postpone new international loans to China. High-level diplomatic contacts between Washington and Peking have been suspended, following the earlier cancellation of US arms sales to China.

Mr Baker said US concern for human rights had to be balanced against the important geo-political and economic relationship which had developed over the past 15 years. He appealed to Congress to support the administration. "I think the US should speak with one voice and act in a co-ordinated way in addressing this very, very difficult foreign policy problem."

Banishing memories of Muppets on the Great Wall

Bush's policy towards China is caught between two conflicting tendencies, writes Peter Riddell

PRESIDENT George Bush's approach to the Chinese crackdown involves balancing two long-standing, and conflicting, tendencies in US foreign policy. On the one hand, there is the desire to express moral outrage and stand up for democratic values – the Woodrow Wilson tradition. On the other, there is a careful calculation of America's strategic interests – the realpolitik school of Mr Henry Kissinger and his many disciples.

The moral impulse is never far from the surface of US politics, as expressed in an almost naive belief in the rightness or wrongness of countries. The associated swing of enthusiasm from one side to another has applied particularly to China – with which the US has had the same kind of ambiguous and fascinated relationship that Britain has enjoyed with the Arab countries.

Back in the 1950s and 1960s China was cast into outer darkness, but the pendulum swung back after the Kissinger/Nixon opening up in the early 1970s. After all, no other post-war meeting has been celebrated by a full-scale opera as the 1972 visit was by John Adams' "Nixon in China." And even in the most anti-communist period of the early 1980s President Ronald Reagan continued his predecessors' policy of regarding China as a counter-weight to the Soviet Union.

The key has been television. As Mr Tom Shales has pointed out in the Washington Post, the crackdown was so startling because of "the rosy view of China painted in the media during the seeming thaw of the 1980s". This was officially marked in 1979 when Bob Hope "romped with cute Chinese tots and a stuffed panda", while in 1983 the Muppets cavorted along the Great Wall. Trivial perhaps, but it has affected American expectations and perceptions.

A popular view developed of the Chinese as not only allies of the US but also as friends, as emerging capitalists.

The ambiguities of the US position were highlighted less than four months ago when Mr Bush greeted Deng Xiaoping and Li Peng as old friends with an unusual warmth, although later the same day the White House was squirming with embarrassment when dissident Fang Lizhi was barred by the Chinese authorities from a US Embassy reception.

The student protests – and particularly the erection of a copy of the Statue of Liberty in Tiananmen Square – perfectly caught the moralist/human rights strain of US opinion. The view of the US of the last, best defender of freedom in the world asserted itself. This has resulted in consistent pressure on Mr Bush to demonstrate American anger at the horrors of the repression.

This view was summed up on Wednesday by Senator George Mitchell, the Democratic majority leader. In urging further steps, he said: "There are times when what America stands for and believes in is more important than an economic benefit to be derived from a trade relationship."

The same policy prescriptions have been offered not only by liberals but also by conservatives. Many on the Republican right never shared the Kissinger/Nixon/Bush desire to balance China against the Soviet Union, taking the view that totalitarian communist regimes never voluntarily change their character and surrender power. It was therefore wrong to embrace China, and their leaders should now be cold-shouldered.

Another revealing result has been the series of advertisements placed by the National Rifle Association citing the Peking crackdown as another reason to oppose gun control – "the individual armed citizen remains one of democracy's strongest symbols. The right to own a firearm is a statement about freedom."

President Bush both wants and is obliged by the strength of US opinion to express the US moral outrage about what has happened. Yet he and his advisers, especially Secretary of State James Baker, a chip off the Kissinger realpolitik block, do not want to sacrifice the gains of the 1970s and 1980s. Two weeks ago Mr Bush seemed to be trying to excuse Deng Xiaoping, only hours before the Chinese leader appeared on television applauding the army's actions.

It is a fine line between, on the one hand, registering disapproval and seeking (somewhat forlornly) to have an impact on the regime, and, on the other hand, preserving the underlying relationship because of the size and importance of China, both regionally and globally.

Mr Bush has so far just about kept the initiative within the US, but he has less freedom of manoeuvre than in countries where popular and legislative opinion has less influence on foreign policy. He can never forget the impact of television pictures.

George Bush: needs to carry out balancing act

Henry Kissinger: leader of the realpolitik school of thought

Nicaragua expropriates coffee farms

By Tim Coone in Managua

THE Nicaraguan government seized the farms of three prominent coffee growers yesterday, further shaking private sector confidence in the government's economic policy.

The farms were owned by three leaders of the private-sector umbrella organisation COSEP, which last weekend urged a national assembly of coffee growers to withdraw from the National Coffee Commission, a discussion forum withthe government. They also demanded alleviation of the "state of total illiquidity" in the coffee sector.

In justifying the expropriations, the Agriculture Minister, Mr Jaime Wheelock, accused the three growers of inciting "anarchy in production and social chaos". During the week, farmworker leaders allied to the ruling Sandinista party threatened to take over the coffee farms whose owners failed to keep up maintenance work.

Coffee is Nicaragua's main export and hard currency earner.

The confrontation is the first sign of a collapse of government efforts to reach a "social pact" with employers and labour to ease the country's economic problems. The government is irritated with COSEP leaders who have adopted political demands in addition to their economic ones, and especially with the coffee growers.

President Daniel Ortega warned this week that businessmen and farmers must bear "their share of sacrifice", arguing that the workers have already borne theirs by a sharp fall in real wages.

Figures show US slowdown

By Peter Riddell, US Editor, in Washington

FURTHER confirmation of a slowdown in the growth of US industrial activity earlier this year came yesterday with the final version of Gross National Product figures, showing an underlying rise of just 1.9 per cent at an annual rate.

The Commerce Department figures show that real GNP increased by 4.4 per cent at a seasonally adjusted annual rate in the first quarter, fractionally higher than reported in the preliminary estimate. But the farm sector's recovery from last year's drought depressed levels added 2.5 percentage points in the quarter.

Excluding this pick-up in crop and livestock output, first quarter growth was 1.9 per cent, down from an adjusted 3.5 per cent in the final quarter of 1988. Recent indicators suggest the slowdown has continued in the current quarter.

The inflation picture in the first quarter was also more favourable than previously estimated, with a 4.6 per cent annual rise in the GNP fixed price index, down from an earlier projection of 5 per cent, though this was still up on the 1988 average of 4.2 per cent.

Argentine army conflict grows

By Gary Mead in Buenos Aires

ARGENTINA'S internal army conflict sharpened yesterday after strongly-worded statements by General Francisco Gassino, the army chief of staff, and General Dante Caridi, who held the same post until December last year.

They issued separate rebukes to Colonel Mohamed Ali Seineldin for his announcement early this week that the truce between his rebellious faction and the army's senior hierarchy was over.

Col Seineldin is awaiting military punishment for having led a brief mutiny last December, which forced Gen Caridi's retirement. The four-day rebellion ended with Col Seineldin's surrender and, according to him, a written agreement between himself and General Isidro Cáceres, who was to act as "guarantor" that the mutineers' demands would be met.

Gen Gassino, who took over as chief of staff from Gen Caridi last December, has now warned Col Seineldin's supporters that he will "respond firmly" to any further mutinous disturbances.

Gen Caridi, whose forced resignation from the army was seen as a major success for Col Seineldin, has broken his six-month silence to add his condemnation of the rebels, saying Col Seineldin's group "has to disappear from the army".

He made it clear that a deal of sorts was struck last December, upbraiding Col Seineldin for failing to keep his side of the bargain. According to Gen Caridi his resignation from the army was to be matched by that of Col Seineldin, which has not happened.

Col Seineldin's decision to announce the end of the truce was widely regarded as an attempt to pressure incoming President Carlos Menem into granting a swift amnesty for all personnel facing military and civilian justice.

Novel candidate withdraws from presidential race

By Robert Graham in London and Veronica Baruffati in Lima

MR Mario Vargas Llosa, the Peruvian novelist, yesterday withdrew his candidacy for next year's presidential race after mounting disagreements with the centre-right coalition that has been backing him.

His resignation, if it is not withdrawn, removes the most serious challenge to the broad leftist alliance, Izquierda Unida, and the ruling Apra Party of President Alan Garcia. Mr Vargas Llosa was doing well in the opinion polls and the centre right risks being thrown into disarray by his action.

The renowned Peruvian novelist was proclaimed presidential candidate for the liberal conservative Democratic Front (Fredemo) coalition in the city of Arequipa only three weeks ago.

Mr Vargas Llosa's letter of resignation was addressed to Mr Fernando Belaunde Terry, leader of the Popular Action Party (AP), and to Mr Luis Bedoya Reyes, head of the Popular Christian Party (PPC). These two parties together with the Freedom (Libertad) movement, led by Mr Vargas Llosa, formed the backbone of the Fredemo coalition.

Party power struggles in the coalition over the forthcoming municipal elections were the main cause for the writer's resignation. Both AP and PPC were insisting on putting up separate candidates for the municipal elections in November, rather than joint Fredemo candidates. Mr Vargas Llosa has consistently argued that in order for Fredemo to appear as a true supra-party coalition, it must present joint candidates for the municipal elections.

Mr Miguel Cruchaga, secretary general of the Liberty Movement, one of the groups in the coalition, said the decision appeared to be irrevocable. But he added: "We are going to mobilise public opinion so that Vargas Llosa is a candidate."

Another leader of the Liberty Movement, speaking anonymously, told the Associated Press that Mr Vargas Llosa's resignation appeared to be aimed at forcing the coalition to choose him as its undisputed leader.

Mr Vargas Llosa went on later to warn: "Given the very serious present situation of economic crisis, institutional chaos and increasing terrorism, the Fredemo alternative was the best – if not the only – support for our fragile democracy. The collapse of the Front could open the door of our country to totalitarian Marxism or a bloody military adventure."

He left Peru on Thursday for West Germany, where he is to attend literary and political engagements. His resignation has given rise to lively debate in Peru about the immediate future of the liberal conservative coalition and of the political options available for the end of the year. The left remains disunited and Apra's popularity has plummeted.

This is the second time in less than two months that a popular Latin American presidential candidate, drawn from outside the normal political ranks, has quit after finding it impossible to deal with the conflicting interest groups backing them. Last month, Mr Hernan Büchi, the former Chilean Finance Minister, withdrew his name as a presidential candidate, arguing that he was not *cut out for politics*.

Foreign currency reserves dwindling

By Gary Mead

ARGENTINA'S central bank foreign currency reserves have reached the dangerously low level of $150m or less, according to Mr Carlos Menem, who is due to take office as Argentina's president on July 8.

Mr Menem is facing a welter of economic problems which threaten to overwhelm his cabinet even before he enters government in just over two weeks. One senior member of his team, Mr Guido Di Tella, appears to be on the verge of withdrawing, as a result of internal disputes over future fiscal and monetary policy.

Mr Di Tella, who was recently nominated by Mr Menem to be Economic Co-ordination Secretary (in effect second to Mr Miguel Roig, Economy Minister), is believed to be pressing for a fixed high exchange rate. But his views are not acceptable to Mr Menem's wing of the Peronist party.

The bad news is confronting Mr Menem on all sides. Official figures have just been released showing that the treasury is now gathering enough revenue to cover only 25 per cent of the state's monthly expenditures.

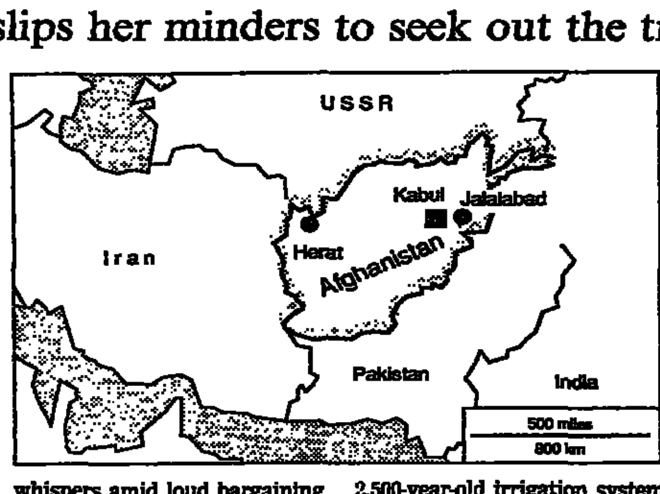
Hyperinflation, which in June will pass 100 per cent for the month, is rapidly eroding not only the state's tax revenues but also public sector tariffs and the purchasing power of wages.

According to the independent research institute FIEL, the real purchasing power of salaries has fallen between 48 and 57 per cent since the end of December 1988. The General Confederation of Labour, which represents Argentina's trade unions, has called for an increase of the monthly minimum wage from 8,700 australs (£27 at current official exchange rates) to 15,000 australs.

OVERSEAS NEWS

Fear and division prop up Afghan regime

Christina Lamb slips her minders to seek out the truth about life in war-torn Herat



ON A sunny afternoon in the ancient city of Herat, the Afghan war can almost seem over. At the wedding of the daughter of the chief administrator, local notables gorge themselves on luxuries. Outside, starving children playing in open sewers beg for a few pennies. Stormed three times in its 2,500-year history – by Alexander the Great, then by the Mongol conqueror Tamerlane, and more recently by Soviet forces in 1979 – Herat's shimmering heat is today disturbed only by the hammering of workmen and the tinkling of donkey carts.

In fact, so confident is the Government of Soviet-backed President Najibullah that it even runs tours to Herat. This is the Government which, according to the US, should have collapsed when the last of 115,000 Soviet soldiers left Afghanistan in February. But, says President Najibullah, it is the mujahideen who have given up.

So, searching for an answer to why Najib has survived, I was taken with a fellow journalist by tank to Herat, accompanied by two "minders" – seedy men in crumpled suits from whom I would be reluctant to buy a used Kalashnikov.

Committed party officials assured us that everyone loves Najib and his People's Democratic Party (PDPA). They said there was no destruction and the mujahideen had no foothold in the city – we could, after all, drive all round it. The tanks in the bazaar and the army post inside Herat's historic mosque were said to be "security measures," while the bombers *screeching across the sky* at night were simply "training." The officials added that there were no shortages and plenty of electricity and running water – unfortunately, we were staying at the only place in town with neither.

They almost fooled us. But when I slipped away to a carpet shop, I was told in whispers amid loud bargaining that everyone was scared of the Government and that the mujahideen controlled half the city.

This was a half which we had not realised existed, and as I wandered towards it, six servicemen surrounded me. When I started climbing the ramparts to see the mujahideen area, they warned me that my visa would be stopped. But from the top of the citadel it was obvious how much we had not been shown. The scene below reflected merciless bombing; hardly a wall was left standing.

The town suffered the worst bombing of the war. More than a quarter of it still lies in ruins. The Soviet forces were believed to be taking revenge for the massacre, in March 1979, of 30 Soviet families whose bodies were paraded around town on pikes. The heavy bombing early in the war led to the killing or wounding of about 10,000 of the 180,000 population. The continuing intensity of feeling against the Soviet Union was revealed by the insults which were prompted by my fair (and Russian-like) hair as I walked through the city.

Herat, which was first rebuilt after its conquest by Alexander the Great in the 4th century BC, relies primarily on local agriculture to feed its population, many of whom have fled to Iran. The 2,500-year-old irrigation system was destroyed in the war and the lack of clean water has pushed up infant mortality to one in five live births, according to Dr Farid Hasan, director of Herat's only hospital, revealing the empty shelves in his pharmacy.

But Najib's propaganda war is being seriously prosecuted. Government officials who espoused Marxist revolutionary doctrine a few years ago are now seen praying in mosques. To give added reassurance that his Government is not made up of communists, Najib's recent speech on privatisation contained lines of Thatcherite rhetoric. He has also admitted that land reform was heavy-handed and that by ignoring tribes the Government has forced landlords to the other side. One Kabul diplomat commented: "The party has undergone a tremendous metamorphosis which is at least policy-deep."

Others, however, are less convinced. They point out that when Najib announced a state of emergency in February his cabinet was purged of moderates. Young boys are forcibly rounded up to join the army and many are still "disappearing" from Kabul. The notorious Pul-i-Cherk jail which holds 15,000 is full and the secret police conduct ruthless house searches.

Moreover, while Najib (who became president in 1986) is eager to emphasise that his regime is different, the hundreds of thousands of people whose relatives were tortured or executed in jail will not easily forget his black history as head of the Khad, the Afghan secret police. "It is not as if he was minister of health or education," says Abdul Haq, a Kabul mujahideen commander. "He was minister of killing."

He has managed to convince the two feuding factions of the PDPA – his own Parchamites (the banner party) and the Khalkis (flag party) – that the only way to survive is to unite. All the same, many party members are unhappy with the transition to an Islamic nationalist party favouring multi-party democracy. A constant complaint is that the president is trying to be all things to all men.

If no more viable than before, the regime certainly has more confidence. According to diplomats, before the withdrawal ended "there was panic, anger and despair within the party." In January a senior Khalki who visited the Soviet embassy to sign the condolence book for the Armenian earthquake, railed: "You sold us to the mujahideen," and envoys were sent to Delhi to ask permission for party militants to seek refuge in India if necessary. Such sentiments have been replaced by an air of resilience, and morale in the army appears quite high.

At the same time, the regime is far from popular – my rare unmonitored chats with shopkeepers reveal the depth of feeling against Najib and *disappointment that the* mujahideen have not come. In Herat, Habibullah, a carpet merchant, explained: "We're all supporting the mujahideen with food and shelter. No one likes the PDPA. We're not even free to say what we like."

Najib's strategy is to split the resistance between the leaders in Pakistan whom he labels "puppets of foreign powers" and the hill-fighters inside Afghanistan. He believes the commitment of the latter is wavering, now that the Soviet troops, the main targets of their wrath, have gone.

He sees the way to peace and his own survival through deals with these commanders. While in Herat, we took tea with some of these leaders who had defected to the Government because "they liked Najib's policies." For those not prepared to talk to Najib, a 64-member mediation committee has been set up to provide an instrument for negotiation. But not many are playing his game.

Another method of achieving peace is the attempt to use tribal connections. Fazal Haq Khaliqyar, governor of Herat, a non-party man who was governor under the former King, Zahir Shah, explains: "I am an old respected man of Herat and know all these people. I attend prayers with the opposition and people trust me." To maintain peace in Herat he relies on tribal militia who can either be bought to stop fighting or persuaded to change sides.

According to an old saying: "You cannot buy an Afghan, you can only rent him." Yet that is precisely what Najib is trying to do. Sometimes this backfires. The heaviest fighting in Herat at present is between the mujahideen of Ismael Khan and those ex-mujahideen who have joined the Government forces – sparked off by the killing of Arif Barakzai, a tribal leader who changed sides.

As the sun goes down over the minarets of Herat, tracer bullets light up the sky. For Najib every sunset is another victory. For the people of Afghanistan it means more sons lost. Among the ruins, 73-year-old Nadya is crying for her country. "I don't care who comes in to power. We are all the same people with the same hopes and dreams. We just want to be left alone and the killing to stop."

Westernised women dread return to a veiled existence

Christina Lamb finds resistance to the burqa

IT COULD be any western university campus. Brightly dressed girls in tight miniskirts or baggy T-shirts proclaiming "I'm not with this idiot," sit in the sun licking icecreams and discussing everything from their favourite Indian filmstars to politics. Western rock music blaring from a portable stereo.

A group of literature students are discussing Fariba's newly-dyed blond hair. "If Gulbuddin comes in power he'll cut it all off and lock you up," jokes one.

The laughter is a little hollow. Women such as Tese, at Kabul University, seem a different species to the Afghan women who, as refugees in Pakistan, are forced by threats from the more fundamentalist Afghan resistance parties – such as that of Gulbuddin Hekmatyar – to hide themselves in burqas, unsightly, tent-like garments with only a small grille for vision, commonly known as shuttlecocks. This is when they are allowed out on the streets at all.

The women of Kabul University are not the only ones who worry that if the extreme fundamentalists among the mujahideen have power they will be forced to stay at home, abandoning their ambitions and modern lifestyles for what they call "Gulbuddin's medieval fortress."

In a government flat, Wajia, a well-known singer, strums her guitar and between puffs of her cigarette says she will have to leave the country if Gulbuddin comes.

President Najibullah's government has played up such fears, *reminding people how* Gulbuddin was among those who threw acid in the faces of unveiled women at Kabul University in the late 1960s.

Women's fears about a fundamentalist regime surfaced last summer when the mujahideen announced the constitution of their interim government, stating that women must be kept in purdah. Headlines across the US screamed "mujahideen will force women behind the veil" – something of an embarrassment for Washington, which has spent more than $2bn (£1.3bn) funding the resistance since Soviet forces entered Afghanistan in 1979 – the main portion going to the fundamentalists.

President Najibullah, giving his first major public assessment of the Afghan war since the final withdrawal of Soviet troops four months ago, said yesterday government forces had won a crucial first victory against Moslem guerrillas, Reuter reports from Kabul.

He said Kabul wanted a broadly-based coalition government and criticised the US and Pakistan for continuing to arm the mujaheddin.

The US and other western countries wrongly predicted the rebels they support would quickly topple Najibullah's Soviet-backed government after the troop pull-out.

Although this government is now defunct, no new constitution has been announced and at the 500-member shura (council), held in Pakistan in February, no woman was invited. A good many of the seven resistance leaders say *they would* not want women to vote if elections were held.

Najibullah, meanwhile, has tried to win over women, giving them places in his administration and creating a special 600-member woman's militia. Nadya, a 20-year-old cadet, has just returned from Jalalabad, where she says she fired rockets on mujahideen. "We women have become a force to reckon with and will not let Gulbuddin here."

Women have become vitally important to the economy, with 1.5m men of Afghanistan's pre-war population of 15m killed in the 10 years of fighting and many more rendered incapable of work through injury. Most staff at Afghan factories are women and when the refugees return, reconstruction could again fall heavily on women.

Esmatee Wardak, president of Afghanistan's women's committee, threw away her burqa in 1959 when the then King, Zahir Shah, declared them no longer compulsory for women past puberty. One of the first Afghan women to graduate, Mrs Esmatee says the war has made women more assertive and 100 times freer.

"I am a Moslem from a backward village and I will never again keep a burqa in my house. Islamic law does not require it and now there are many women like me who will fight anyone who tries to turn us back to the veil."

However, unlike religious or ethnic groups such as Sikhs, Hindus and Hashia Hazaras who felt oppressed by the previous Pushtun rule and whom Najib is wooing on the basis that all groups are now treated the same, women are angry at the suggestion that the party has liberated them. "There were women MPs before the war and Mrs Esmatee maintains it is "suffering and the need to be economically independent that strengthened us".

She admits that outside the cosmopolitan city of Kabul many provincial women choose to wear burqas, regarding them as status symbols, but believes that with education they will be discarded.

It was Zahir Shah who gave women the vote and introduced the miniskirt to Kabul. However, women's rights is an area where Najib hopes to win the public relations war.

Abhorrence at the Hekmatyar speeches does not necessarily translate into support for Najib. Wajia looks forward to the day when she can write the songs she wants to. At the university Jumila asks: "What is it to have equal rights under a regime which does not believe in rights?"

WORLD TRADE NEWS

Brussels, Japan chip groups near 'dumping' accord

By William Dawkins in Brussels

JAPAN'S leading semiconductor companies and the European Commission are close to a settlement over allegations of dumping of two widely-used kinds of memory chips.

The companies, including Fujitsu, Hitachi, Mitsubishi, Toshiba and Matsushita, among others, are expected within weeks to give formal undertakings to maintain their EC export prices at normal levels, said Commission officials.

This will bring to an end a two-year Commission inquiry into an extremely sensitive product for the EC electronics industry.

The chips concerned are dynamic random access memories (Drams) – ironically in short supply over the past year – and erasable, programmable, read-only memories, used in computers, video recorders and other electronic equipment.

European producers, including Siemens of West Germany and the EC offshoots of Motorola of the US, had complained that the Japanese were exporting to the Community at substantially below their own domestic prices. As a result, they had carved out a 95 per cent share of the European market.

Anti-dumping actions normally end with the imposition of duties. However, the companies involved can also opt to increase or maintain prices above normal domestic levels, as is expected in this case.

Yesterday's announcement came as the Commission welcomed Tokyo's decision to implement a ruling by the General Agreement on Tariffs and Trade against parts of the controversial 1986 US-Japan chip pact, another sign of more peaceful trade relations in semiconductors.

Under the accord, Japan agreed to stop dumping chips in the US by monitoring export prices and volumes, which Gatt ruled amounted to an illegal quota system.

The Commission claimed this had driven up chip prices in the EC. Japan has promised only to monitor chip sales after export and to refrain from setting prices or volumes.

India to import 1m tonnes of potash from Soviet Union

By K.K. Sharma in New Delhi

INDIA is to import 1m tonnes of potash from the Soviet Union after developing facilities for its shipment at Mariupol port in the Sea of Azov, the closest point from which seaborne trade can be conducted between the two countries.

The unusual countertrade arrangement was made in a memorandum of understanding signed by Mr I. P. Hazarika, chairman of the Indian Government-owned Minerals and Metals Trading Corporation (MMTC), when he visited the Soviet Union recently to explore increasing mineral imports from that country.

Indian experts are to prepare a project report for development of Maruipol port since this will enable substantial savings in freight costs between India and the Soviet Union and make it possible to economise on potash imports.

At present, India imports 2m tonnes of potash a year and pays for this in hard currency. After development of the Azov sea port, half India's requirements of potash will be imported from the Soviet Union which now supplies only 50,000 tonnes.

Trade with the Soviet Union is conducted on the basis of an annual plan that provides for a balance of imports and exports. Temporary imbalances are settled on the basis of what are known as "technical credits".

At present, India exports far more than it can import from the Soviet Union. Since the two-way turnover is growing rapidly, efforts are being made to identify new Soviet goods that can be imported.

Japanese in electronics tie-up with Indian group

By David Housego in Bangalore

THE first signs that Japan's electronics industry is looking to India as an offshore production centre has emerged with an expected tie-up between Sanyo and BPL, the Indian consumer and professional electronics group.

Mr T.P.G. Nambiar, BPL's managing director, said yesterday that he was in the final stages of negotiating an agreement with Sanyo under which the Indian company will produce 1m audio sets a year for sale in South East Asia and the Middle East by the Japanese group.

When the operation reaches a peak, BPL will earn Rs1.5bn – Rs2bn a year from sales to Sanyo – equivalent to more than a third of its current turnover.

BPL is India's largest producer of colour TVs and also makes a wide range of consumer electronics and professional items, including computers and components. In 1983, it established a joint venture with Sanyo in which the Japanese group has a 40 per cent stake to make video decks.

The new tie-up will require BPL increasing its 4,500 staff by 1,000 and investment of Rs300m in a new plant to make radio cassettes. BPL will base the design of the plant on similar factories in Malaysia.

Though Japanese electronics companies have extensively invested in offshore production in China and South East Asia, this is believed to be the first time that a Japanese company is "sourcing" products from India.

Mr Nambiar said that he had been chasing the Japanese for such a venture for two years.

Though Mr Nambiar says the profit margins to BPL will be low, he believes that the higher volumes will enable him to lower his costs in the domestic market and hence to boost profits.

The other advantage is that Indian electronics firms need to earn foreign exchange to cover the import of components for other products they manufacture. BPL's handicap in competing with similar companies in South East Asia is having to bear higher Indian freight costs.

Mexico begins campaign to woo Western investors

By Robert Graham

MEXICO has begun a campaign to attract foreign investment from major industrialised nations, after last month's new regulations that have opened fresh sectors of the economy to foreign capital.

A high-level team has been in London this week, headed by Dr Fernando Sanchez Ugarte, Under-Secretary of Industry and Foreign Investment. Without setting a definite target for foreign investment, he hopes to more than double the existing annual level to $5bn (£2.9bn) during the next six years.

The team's message is that the government is committed to speeding deregulation and privatisation of the economy. They want to get across the idea that Mexico is in a different position from the rest of Latin America, presenting prospects of stable growth, despite the overhang of $107bn of foreign debt.

"We want to get the message across now because we see Europe becoming inward-looking, thinking so much about its internal market," says Dr Sanchez.

Only 9 per cent of all investment currently comes from abroad. Last year $2.59bn-worth of foreign investment flowed into the country, of which some $860m was in the form of debt swap/conversion mechanisms. If project approvals are included, the foreign investment total last year reached $3.1bn.

Spain is one of the countries targeted by Mexico. It currently accounts for 2.6 per cent of foreign investment. But Mexico wants to encourage a trend they see in UK investment. Last year, the value of UK direct investment was 24 per cent of the total against 39 per cent from the US. The nearest European investor was France, accounting for 4.8 per cent. Japan was close behind with 4.3 per cent.

On an accumulated basis, UK investment accounts for 7.3 per cent of the total – in second place but a long way behind Mexico's traditional partner, the US. Although the US still is responsible for 62 per cent of all foreign investment, this percentage has been declining.

Mr Carlos Camacho Goas, director-general of foreign investment said the government wants US investment to maintain its rhythm but for other countries to commit themselves more. US investment in Mexico represents about 3 per cent of its total overseas investments.

Foreign capital can now own 100 per cent of companies with assets under $100m, if funds come from outside Mexico and the investment is away from congested centres. Areas where foreign investment is being sought include broadcasting, domestic transport and tourism.

EC curbs on copper scrap 'distorting world market'

THE EUROPEAN Community's restrictions on exports of copper scrap are giving EC copper producers a price advantage and distorting the world market for scrap, according to the US Trade Representative's office, William Dullforce reports from Geneva.

The US has tabled a demand in the council of the General Agreement on Tariffs and Trade for a disputes panel to investigate its complaint. The EC said it was opposing the setting up of a panel but indicated it could give way at the next meeting of the council.

Washington claims that for the past 15 years Brussels has kept export quotas for copper scrap that have no justification under Gatt rules. The restrictions had given an artificial price advantage to EC producers by holding down prices for scrap within the EC and increasing prices in the US.

Brussels contends that, because the EC does not have its own copper resources, its processing industry depends to a much higher degree than other economies on the availability of scrap. There was a risk that an end to export controls would lead to an outflow of copper scrap from the EC, which could not be replaced.

The copper dispute was one of many items on the Gatt council casebook yesterday. Others included:

● A panel report ruling in favour of an Australian complaint against US restrictions on imports of raw and refined sugar.

When its Sugar Act expired in 1974, the US established import controls on the basis of a "headnote" to its tariff schedule authorising the President to proclaim duties and quotas. Since 1982, the US has regularly declared global import quotas and allocated them among sugar-exporting countries according to past performance.

Domestic US sugar production increased from 5.9m short tons in 1982 to 7.3m in 1987. The disputes panel told the US either to drop its restrictions or bring them into conformity with Gatt.

● Three panel reports on complaints from Australia, New Zealand and the US about Korea's beef import controls. Since it joined Gatt in 1967 Korea has limited imports to protect its balance of payments, as Gatt allows developing countries to do.

In 1984 and 1985, it stopped issuing tenders for commercial imports of beef and halted imports of "high-quality" beef. There was a partial re-opening of the market in August 1988.

The Gatt panel found that these measures had been taken to protect the domestic cattle industry, and not for balance-of-payment reasons. Korea was told to eliminate its beef import controls or to bring them into line with Gatt rules.

● A panel report backing Chile's claim that the EC had administered quotas for apple imports in a discriminatory way. The EC accepted the ruling this time but brushed aside a Chilean suggestion it should pay compensation.

● A Gatt ruling dating back to November, 1988 in favour of an EC complaint that US procedures in enforcing intellectual property rights under section 337 of its Tariff Act discriminated against imported goods. The US again declined to accept the panel's findings.

Brussels queries Danish bridge tenders

By Hilary Barnes in Copenhagen

THE European Commission has asked Denmark for an eleventh hour postponement of the signing of a DKr3bn ($391m) bridge construction contract until the government has answered questions from the Commission concerning the tender material, which may have contravened EC public procurement rules.

The Commission's letter was received late yesterday, only hours after the state-owned company reponsible for the construction of the bridge had announced that the contract would be signed next Monday.

It is understood that the government is preparing a reply to the Commission to the effect that it sees no need to take action in response to the Commission's letter.

A spokesman for the bridge company said that the signing would go ahead as planned.

The contract is going to a consortium which includes Danish firms in partnership with Taylor Woodrow Construction, of the UK, Ballast Nedam, Holland, and Losingen, of Switzerland.

The Commission appears to have acted after complaints from the French construction company, Bouygues, which tendered for the contract together with Britain's Trafalgar House and other Danish and international companies.

The contract is for a 6.6km road-and-rail bridge across the western end of the Great Belt. When completed the rail and tunnel link will link Sjaelland with the Jutland peninsula. The bridge project, which has often been held up by inter-parliamentary rows and local opposition, was finally given the go-ahead earlier this year. The rail and road link is expected to boost traffic and reduce transportation times for goods.

The Commission's letter is the initial step in what could lead to a case against Denmark before the European Court.

It is understood that the Commission is concerned that EC rules on public procurement may have been contravened by tender material specifying the use of Danish labour and thus discriminating against labour from other member countries.

Caracas offers subsidised debt repayment rates

By Joe Mann in Caracas

THE Venezuelan Government has approved a plan under which Venezuelan companies with outstanding debts to government-owned export finance organisations, such as the Export Credits Guarantee Department (ECGD), will have access to foreign exchange for debt repayment at subsidised exchange rates.

When the administration of President Carlos Andres Perez unified a two-tiered exchange rate system for the Venezuelan bolivar last March, all public and private sector entities were expected to repay their foreign obligations at the free market rate for the Venezuelan currency.

This meant a rise of 150 per cent or more in local currency costs for debtors.

The free market rate for the bolivar this week stood at around 38 bolivars to the US dollar. Before the March unification, companies were given access to foreign exchange at more favourable official rates at the Central Bank, either 14.5 or 7.5 bolivars.

Under the recent government decision, duly-qualified debtors now may purchase foreign exchange from the Central Bank at the old, official exchange rates originally stipulated in foreign exchange agreements signed with the previous government.

Faulty pipes force Chevron to shut two N. Sea platforms

By Maurice Samuelson

TWO OIL platforms in the British sector of the North Sea have been shut because of corroded pipework, cutting the flow of oil by 83,000 barrels a day of crude, Chevron Petroleum (UK) said in Aberdeen yesterday.

The shutdown came as Britain's North Sea oil output, already hindered by a series of accidents during the past 12 months, fell in May to its lowest level since records began in 1980.

Chevron said two of its three platforms on the Ninian field stopped pumping when pinhole leaks were found in pipes on the platforms.

Ninian North was shut last Sunday and Ninian South on June 4.

Chevron said the Ninian South platform "may resume limited production perhaps at the weekend." It was not known when Ninian North would restart.

Repairs would probably be delayed by a 24-hour strike of more than 130 contracted maintenance workers, part of a wave of strikes throughout the North Sea.

The Royal Bank of Scotland, in its monthly index of oil production, reported yesterday that May production levels of 1.63m b/d were nearly 80,000 barrels below those of April and 33 per cent down on May 1988.

Had high prices not cut consumption in the early 1980s, Britain would now be importing oil, the bank said.

The value of North Sea production has held up, however, mainly because of sterling's weakness against the US dollar, in which oil is traded internationally.

Most of the loss resulted from the shutdown of the Brent pipeline in May after a fire on the Cormorant Alpha platform, which affected nine fields.

The recovery in output from the resumption of the Brent pipeline will be delayed by the summer maintenance period.

The bank said: "Output could be close to the 2m b/d mark for June and should stabilise around 2.3 b/d in the second half of 1989, good news for the Chancellor's trade balance worries and inflation."

Average prices in May were $18.5 a barrel, $1 down on April, but the falling pound helped to maintain prices in sterling terms.

London's 'Misery Line' set for revamp

LONDON Underground railway yesterday announced plans for a £500m revamp for the cramped and overcrowded Northern Line, known to millions of Londoners as the "Misery Line", writes Kevin Done.

About £400m would be spent on a fleet of 115 new trains to replace the existing rolling stock, some of which is 30 years old.

The rest of the money would be spent on a revolutionary new signalling system developed in Canada and France which has not yet been used in the UK.

The proposals require approval from both the board of London Regional Transport, the state-owned holding company for London's buses and Tube, and Mr Paul Channon, the Transport Secretary. This is thought likely to be a formality in view of extreme overcrowding and unreliability on the Northern Line, which carries 719,000 passengers a day – up 50 per cent since 1981.

The core of the Northern Line proposals is the new signalling system, called Transmission Based Signalling (TBS) which abandons the principle of discrete track sections used for all railway signalling since the 1840s.

A project team is studying TBS signalling systems in Paris, Vancouver and Toronto.

Standard Chartered to sell head offices

By Paul Cheeseright and David Lascelles

STANDARD Chartered, the international banking group in the throes of a reorganisation, expects to raise about £400m from the sale of its head offices in the City of London and in Singapore.

The sale of its office complex in the heart of the City, at a price of more than £200m, would be one of the largest single property transactions seen on the British market.

The Singapore building is a 44-storey tower with office space of 484,000 sq ft and has a value roughly comparable with that of the London building.

Disposal of the buildings would release funds to boost the core banking business. More specifically, the sales would result in a significant contribution to Standard Chartered's core, or "tier one", capital.

Under last year's international Basle agreement on bank capital, this form of capital dictates the rate at which a bank can expand its business.

As part of its reorganisation since escaping from the clutches of Lloyds Bank in 1986 and the subsequent appointment of Mr Rodney Galpin as chairman, Standard Chartered has had a programme to dispose of high-price fixed assets.

It has been most marked in Asia, where there have been sales in Bangkok and a fund-raising exercise on the bank's Hong Kong headquarters. It has also disposed of two US subsidiaries.

Growing attention to costs has led Standard Chartered to the same conclusion as the British clearing banks – that it is not necessary to keep expensive complexes in the City.

Its headquarters, which cost £76m and was opened by the Queen in 1986, is one of the most sumptuous bank buildings in the City.

The potential buyer is likely to be a large investing institution or an owner-occupier. The City property-investment market has recently been dominated by foreign interests.

BP's builders discover formula for success

Peter Marsh looks at the construction of a 'model' £250m chemical production plant

EXECUTIVES at the chemicals division of BP, the UK oil group, will be firing open the champagne bottles today to celebrate completion of what they regard as a model plant-building project.

The £250m scheme, in Hull, Humberside, has involved an unusually complicated mixture of contractors and investors and has many different products.

The plant was built in modules at three different yards before being shipped to the Hull site. The approach cut construction time and, so BP claims, broke important new ground in management of chemical industry building programmes.

Despite the complexity of the operation, one of Britain's biggest chemical building programmes in recent years, the Hull scheme has been finished on schedule and with hardly any serious technical hiccup.

"We view Hull as a showcase of how to run a construction project," says Mr John Routley, general engineering manager at BP Chemicals.

The project's main purpose was to add to BP's production of acetic acid, a chemical important in a range of industries including paints, adhesives, solvents, paper treatment and foodstuffs. BP is, after Hoechst of West Germany, the world's second-biggest producer of the material, and accounts for about a fifth of total annual production of some 4.5m tonnes.

The Hull scheme, which adjoins the site of an existing BP acetic-acid plant, also makes ammonia for nitrogen-based fertiliser on behalf of Kemira, a Finnish fertiliser company. Another set of products are industrial gases, including oxygen, nitrogen and argon, in a part of the site controlled by Air Products, a US gases company.

Both Kemira and Air Products were among the consortium of five groups involved in management of the project and which together put up the investment. BP – whose annual output of acetic acid from its Hull operations is increasing from 400,000 tonnes to 575,000 tonnes as a result of the new plant – was the leader of the construction team and contributed half the total cost.

The other two members of the consortium were the Yorkshire Electricity Board, which laid on power supplies, and British Gas. The gas company built a new pipeline to transport the methane used as the plant's feedstock.

All five organisations agreed from the start of the scheme three years ago that one person – Mr Keith Mackman, a BP engineer – would be in overall charge. That avoided the problems of lack of leadership, and consequent arguments and delays, that have characterised other construction projects in recent years involving several partners.

A similar approach was agreed with the main contractors working on the project, Davy McKee and John Brown of Britain, West Germany's Linde and M.W. Kellogg of the US. "They went along with the approach of working in integrated teams as part of the process of making the construction as efficient as possible," says Mr Routley.

Picture: Tony Andrews

Keith Mackman in front of the plant assembled at Hull

The biggest innovation was the idea of building the complete plant in 23 separate units at three sites in north-east England run by different construction companies – Whessoe, Charlton & Leslie and South Humberside Services. The units were transported to Hull at the beginning of last year and, in a process which took just 12 months, bolted and welded together in the manner of a Meccano set.

This general philosophy is well known in the offshore industry. But according the BP, the approach has been seldom tried when constructing large and complex plants on land.

"It meant we could get on with the civil-engineering work at Hull – like laying underground pipes and securing the foundations – while the three other yards were working on things like pressure vessels and the steelwork," says Mr Routley. "The approach saved us six to nine months in construction time."

BP is also full of praise for the attitude of the workforce involved in the project. At its peak, the programme employed 2,200 people spread across the three construction yards and in Hull.

Mr Routley says the three main trade unions involved – the Transport and General Workers' Union, the AEU engineering union and the EEPTU electricians' group – played a full part in ensuring the success of the programme.

The unions even agreed to their members' working in the rain, conditions which often bring construction yards to a halt, after BP and the other consortium members said they would issue protective clothing. "The whole project required 4m man hours of construction labour," says Mr Routley. "There were no disputes and no strikes."

Audit Office criticises RO sale

By Paul Cheeseright, Property Correspondent

THE NATIONAL Audit Office, Parliament's watchdog over public sector efficiency, believes that, when public land is sold, the taxpayer should be able to share in future profits arising from that land.

This is the conclusion it reaches from a further examination* of the circumstances surrounding the sale of Royal Ordnance, the state-owned armaments group, to British Aerospace in April 1987 for £190m.

The conclusion is a thinly-disguised criticism of the way in which the Ministry of Defence conducted the sale. It follows earlier criticism of the House of Commons' Public Accounts Committee that the Ministry of Defence had deprived the taxpayer of benefits from the RO sale because up-to-date property valuations had not been carried out.

Controversy has surrounded the British Aerospace purchase since August 1988 when Warburg Securities published an internal estimate that three RO sites, at Enfield and Waltham Abbey to the north and north-east of London, and Patricroft, near Manchester, could be worth more than £450m.

* *Ministry of Defence: Further Examination of the Sale of Royal Ordnance plc – report by the Comptroller and Auditor General, National Audit Office; June 1989; HC 448; HMSO, London, £7.90.*

Manufacturers' stocks up by £236m in first quarter

STOCKS HELD by British manufacturers rose by £236m in the first three months of the year, according to revised seasonally-adjusted first quarter figures released by the Department of Trade and Industry yesterday, writes Simon Holberton.

The largest increase in manufacturers' stocks, some £194m in 1985 prices, occurred in the engineering sector. This followed a rise in engineering stocks of £330m in the last three months of 1988.

Across all industries, stocks rose by £468m in the first quarter compared with £1.5bn in the last three months of 1988.

DTI statisticians made an "exceptional" upwards adjustment to stocks of £300m to its "other industries" classification – which includes motor trades, finance and construction – to offset stock changes due to the early Easter.

Accountants plan European training

By David Thomas, Education Correspondent

PLANS to increase the flow of graduates from continental Europe into British chartered accountancy and to improve the assessment of the practical elements in accountants' training were announced yesterday by the Institute of Chartered Accountants in England and Wales.

Mr Andrew Colquhoun, the institute's director of education and training, described the package of measures as "the most radical change to our assessment systems for many years."

The institute has decided that offices in Europe with institute members will in future be recognised as appropriate places to train chartered accountants.

The initiative highlights the trend across Europe towards competition for graduates in anticipation of the decline in the number of young people and the completion of the single European market.

Until now, only offices in Britain have been recognised as appropriate places for the three years of work-based training undertaken by graduates before qualifying as chartered accountants.

Mr Colquhoun said the initiative was designed to increase the flow of continental graduates into the British profession – at present numbering less than 100 of the 6,500 annual intake – as well as to encourage British trainees to gather experience outside the UK.

The institute is also launching a study of how its assessment methods can be re-cast to give greater weight to the practical skills learned on the job by trainees.

At present, successful qualification is almost entirely dependent on examinations of theoretical knowledge. The institute plans to prepare proposals on assessing practical knowledge by mid-1990.

Colleges yield on engineering funds despite fall in intake

By David Thomas, Education Correspondent

THE NEWLY independent polytechnic and college sector has bowed to Government pressure to maintain the funding levels for engineering courses, even though the number of engineering students is continuing to decline.

The Polytechnics and Colleges Funding Council, responsible for distributing £1bn a year to 80 polytechnics and colleges, announced this decision yesterday, as it also approved a new system for distributing funds designed to put greater stress on student preferences.

The annual intake of engineering students in the sector fell by 3.9 per cent this year, against the trend for all other subjects.

However, the council has decided to channel marginally more funds to engineering courses next year, even though it has adopted a general principle of reflecting the trend in student preferences.

This is because Mr Kenneth Baker, Education Secretary, told the council to continue the emphasis on engineering and science in the sector.

Separately, the council approved a new system for distributing funds which might be used as a model for decisions due to be made soon about university funding mechanisms.

In future, the polytechnics will bid for a slice of the council's funds under nine broad programmes such as engineering and technology, business and management, and humanities and social sciences.

The council will survey the bids, taking into account student numbers and the price and quality of courses, and will then place contracts with each college.

The council believes the system will encourage colleges to increase their student intake and to drive down course costs.

This will be on top of the Government's recent decision to channel more funds through student fees, which will tend to have the same impact. When the Government's proposals are fully operational, 42 per cent of polytechnic income will come through fees, as opposed to 13 per cent at present.

However, the council also decided to introduce the funding changes gradually.

An open reply on South Africa

Sir Owen Green, chairman of BTR, replies to Joe Rogaly's open letter a week ago, about a four-year-old dispute at a rubber factory in Howick, Natal, South Africa

Dear Mr Rogaly,

My acknowledgements of your open letter to me are to you for making this open reply necessary and to the FT, for making it possible. On a personal note, I imagine you found some change in the Republic – in laws less restrictive and in material wealth a little more widely spread – in the 30 years since you left that country. But there still remains so much to do, even 87 years after Cecil Rhodes's immortal phrase.

From your frequent references to the politics of the South African environment, it seems that the main thrust of your letter is for us to become politically involved, perhaps not only in South Africa. This reply is framed on that assumption.

Your several other points do, however, also merit some comment in the interests of accuracy, *objectivity and fair play.*

Only 66 ex-workers, none of them "Africans" (sic), took the choice of re-employment in Natal but you made no comment about a response of such unusual unanimity from the black African labour force. Perhaps it was due to the presence of the militant picket line which physically forbade any *black* worker *to present* himself at the re-employment counter.

Your reference to winning and losing in the courts may *be acceptable* journalese but it is an inadequate description of the legal findings. We also find much irony in your description of our management as being a touch legalistic. The two occasions on which the Howick matter came to the courts have both been at the instigation of the unions. The suggestion of a "wrap-up" deal *à la* Murdoch reads *as a* diversionary pebble of pragmatism dropped into a stream of political articulation. Businessmen spend most of their lives finding workable solutions in the relentless timeframe set by the marketplace.

Comparisons with Unilever *or any other industrial corporation* are those of style and one does not need to make a safari into the South African business scene to draw such distinctions.

They surely exist between companies and countries in endless variety. In several markets we are taken as a role model of enterprise and effectiveness in the business of wealth creation.

Our organisation structure has for over 20 years represented the more advanced of today's management theories on decentralisation, globalisation, flexible networks, transnationalism and other "isms".

In the matter of local and perhaps evolutionary management styles, the Howick plant which you visited practised joint consultation under a markedly paternalistic management continuously from the 1920s. Some change in those previous good relations between worker and management appears to have coincided with the introduction of a white-organised black union in 1983.

Your final important assumption, as evidenced in your opening and closing paragraphs, is that BTR plc (a UK registered company) which holds 53.3 per cent of BTR Dunlop (a public company registered in South Africa) controls and directs that organisation. While there might come to be circumstances in which BTR plc *votes its shares to express* its views, these have never arisen, there or elsewhere. The greatest safeguard against an intrusive act of the parent is the very existence of local shareholders, represented by locally involved directors, as members of a publicly accountable *corporation.*

As a matter of choice, those companies in which we have less than 100 per cent ownership work within a BTR framework because it has always *proved advantageous to the* achievement of their wealth creation objectives. In South Africa at this time that choice is followed without even the presence of a parent company representative on that board.

Finally I address your query on whether the creation of wealth and being in "business not politics" is good enough.

The creation of wealth is a priority in any society which believes in improving the material living standards of its members. This is the essential contribution that we and other participants in that activity in South Africa are making to the cause of the under-privileged people of that country.

Those who advocate a scuttle may satisfy political imperatives. They do nothing for the advancement of the material living standards of the masses they wish to represent.

You affirm that one cannot operate under spotlights and stay politically aloof. I have no declared political bias, unless a strong belief in the free market marks me. But our disagreement on business in politics is fundamental. Perhaps two examples taken from each end of the spectrum of business in politics and vice versa will underline one of the reasons for our stance. At one end the support given to Hitler by German big business from 1934, and at the other end the influence of the trade unions on Government policies in the UK in the 1960s and 1970s, each led or contributed to misfortune – one a disaster of world dimensions, the other a national mess. Success in politics or industry is an exhilarating and confidence-inspiring experience. Taken together the effect can be positively hubristic.

Whatever our personal politics, it is a matter of fact that BTR has none. In common with all corporate bodies, BTR is a legal entity which takes the form of an "artificial person" created by Parliament for the protection of investors. It surely embodies the spirit of the upholders of the corporation but it has neither mind nor will of its own nor any vote. The political rights and expressions of the workers, the shareholders and the customers, all of whom contribute to the objectives of the enterprise, are not within a company's domain.

We in BTR acknowledge the government established by the electorate of a country or society. We obey the laws of the lands in which we work. We believe in the freedom of the individual, of any race, colour or creed, to accept our employment and to work with us in our common cause – the creation of wealth through the *satisfaction of material wants* and needs. We have been successful in that commitment for many, many years.

I believe that record to be conclusive evidence that the BTR working environment – that of employees freely engaged, their energies creatively applied, investors properly rewarded and the results satisfying society's ever-changing requirements – is healthy, contemporary and a worthy microcosm of a world in growth.

Owen Green

Chairman,
BTR plc,
Silvertown House,
Vincent Square,
London SW1

P & O European Ferries faces manslaughter charge

By Kevin Brown, Transport Correspondent

P & O European Ferries, the company which owned the ill-fated Herald of Free Enterprise car ferry, is to be prosecuted for manslaughter.

A summons was issued by Bow Street magistrates in London yesterday at the request of Mr Allan Green, the Director of Public Prosecutions.

The prosecution will be one of the first in which a UK company has been prosecuted for the criminal offence of manslaughter.

P & O European Ferries is a subsidiary of Peninsular and Oriental Steam Navigation which operates ferry services to continental Europe from Dover.

The company, formerly known as Townsend Car Ferries, was taken over by the P & O Group six weeks before the Herald capsized outside Zeebrugge in March 1987 with the loss of 193 lives.

Summonses for manslaughter were also issued against two of the Herald's senior officers, a crewmen and four Townsend managers.

The Herald seafarers facing prosecution are Captain David Lewry, the master; Mr Leslie Sable, first officer; and Mr Marc Stanley, assistant boatswain.

The directors named are Mr Wallace (Jimmy) Ayres, head of the company's technical department; Mr Jeffrey Develin, chief marine superintendent; and Mr John Alcindor, deputy chief superintendent.

All three former directors have left the company since the takeover by P & O.

All the summonses relate to the deaths of two passengers and two crew killed.

The victims are named in the summonses as Martin Spooner, Alison Gaillard, Richard Barnard and Marie Richards.

The individuals summonsed could face heavy fines or imprisonment.

P & O European ferries faces an unlimited fine if found guilty.

The summonses follow the return of verdicts of unlawful killing by an inquest jury at Dover on 187 of the victims.

The Coroner subsequently passed the file to the DPP, who ordered an investigation by kent police.

The investigation, set up by Mr Frank Jordan, Chief Constable of kent, was codenamed Operation Libra, and headed by assistant chief constable Mr Brian Reynolds.

A team of eight officers interviewed ferry company employees, former directors and survivors.

P & O European ferries last night refused to comment.

Mr John Prescott, opposition Labour party transport spokesman, said the summonses followed a campaign by him, relatives of the dead, and the Coroner.

The Crown prosecution Service said: "It has not been an easy or a comfortable decision but we feel it is the right one."

● There is no previous case in English law of a company being prosecuted for an offence such as manslaughter.

But, according to solicitor Sir David Napley, the law provides for such a prosecution - so long as the offence is not *incapable of being performed* by a company and providing the penalty is not a mandatory prison sentence.

Unions call for two more 24-hr rail strikes

By Fiona Thompson

BRITAIN'S rail users face further chaos following a call yesterday by the National Union of Railwaymen for two more 24-hour strikes on British Rail. The stoppages are planned for next Wednesday, June 28 and the following Wednesday, July 5.

London will face the worst disruption as the NUR has also called out its members on London Underground railway on the same two days.

Within an hour of the strike call, British rail management asked Acas, the conciliation service, to set up formal talks with the NUR.

Mr Dennis Boyd, Acas' chief conciliation officer, rang Mr Jimmy Knapp, NUR general secretary, with the invitation and Mr Knapp agreed to attend for a briefing session at 10.30 this morning. British Rail, led by Mr Trevor Toolan, *managing director*, personnel, will attend at 9.30.

British Rail is expected to improve its imposed 7 per cent pay award. "We are flexible, there is scope for improvement," said BR.

The NUR said BR's intervention was the first sensible move it had made this week. "We said all along we would go to Acas if an invitation was issued."

There was a possibility that talks could lead to next Wednesday's strike being averted, but "there is a lot to do before we can reach a negotiated settlement," the union said.

The talks will take up where they abruptly left off last Friday when BR made its surprise announcement that it was taking the union to court to try and stop this week's strike. The High Court, followed by the Appeal Court refused to grant an injunction banning the action and the strike went ahead.

Announcing the two further strikes, Mr Knapp said the support for this week's stoppage had been "magnificent" and there was no doubt about the strength of feeling among members.

Mercury to win mobile telecom licence

By Terry Dodsworth, Industrial Editor

THE DEPARTMENT of Trade and Industry is to license two or three new mobile telephone companies with the aim of creating direct competition to the existing Cellnet and Vodafone car telephone groups by about 1993.

In a move which decisively changes the competitive picture in mobile telephones, Lord Young, the Industry Secretary, is also intending to give one of the licences to Mercury, the sole competitor to British Telecom in conventional fixed telephone networks.

Up to two further licences will be granted depending on the quality of the submissions to the DTI. "If there were two exceptional proposals we would have to consider both of them," Lord Young said.

Lord Young repeatedly stressed his commitment to increasing the number of telephone service suppliers in Britain as a means of stimulating the market.

Neither Cellnet nor Vodafone, which is owned the Racal group, will be allowed to apply for the new licences, he said. Mercury, however, is to be given one of them because the company needs a mobile operation to compete more effectively with British Telecom, the majority shareholder in Cellnet.

Asked whether he expected the proposed new entrants to drive down prices in the car phone market, Lord Young said: "You would expect prices to drop. Competition has that effect."

Lord Young's statement will create a further flurry of excitement in the mobile telephone industry, which has emerged as one of the fastest-growing industrial sectors in the UK and the rest of the industrialised world during the late 1980s.

Doubts about the ability of the existing car phone companies to maintain their high levels of profitability over the longer term were reflected yesterday in sharp falls in the Racal share price.

The price of Racal Telecom, the direct parent of Vodafone, fell back by 12p to 462p, while Racal Electronics, which owns 80 per cent of Racal Telecom dropped by 19.5p to 483p. British Telecom's shares also declined by 8p to 264.5p, while Cable and Wireless, which owns Mercury, put on 21p to 495p.

Mr Gordon Owen, managing director of Mercury, said last night that his company's entry into the mobile market "must drive down existing prices."

Lord Young said that the new telepoint mobile system, which is to be launched within the next few weeks, ought not to suffer from yesterday's proposals. Telepoint is a one-way system which allows users to make calls using a radio phone connecting into a few specific points in the fixed network.

Yesterday's proposals are aimed at a more sophisticated two-way service which is likely to cost subscribers more than telepoint services. It will use higher radio frequencies than the existing car telephone networks – an approach that will require substantial investment in new chip technology.

Plans for English teaching in schools receive mixed reaction

By David Thomas, Education Correspondent

PLANS to improve the teaching of English in schools were hailed yesterday as "a milestone in levering up standards in our schools" by Mr Kenneth Baker, Education Secretary.

But they were attacked as too vague by some educationalists and impossible to deliver because of teacher shortages by the teaching unions.

The plans for English within the new national curriculum were published by a committee chaired by Mr Brian Cox, professor of English at Manchester University. Proposals for teaching English to five-seven year olds were finalised last month.

An earlier report from the Cox committee was widely criticised for describing non-standard forms of English, such as "we was, he ain't done it and they never saw nobody," as "rarely more than a social irritant to some people."

The Cox committee was stung by this criticism into giving a long account of the role of standard and non-standard English, grammar and linguistic terms in its proposals published yesterday.

It repeats its argument that standard English – grammatically correct English used in public discourse – is one dialect among many, but stresses that all pupils must be able to speak and write standard English by the age of 16.

The Cox committee has also rejected any return to traditional methods for teaching English grammar, but insists that grammatical competence and the use of linguistic terms should be taught in context.

Mr Baker, who criticised earlier work by the Cox committee as insufficiently precise, endorsed yesterday's report as rigorous enough.

However, critics on the right of the educational spectrum attacked the report, described as "a woolly piece of nonsense trying to be all things to all men" by Dr Sheila Lawlor, the educational expert at the Centre for Policy Studies.

She argued that by failing to lay down simple tests for reading and writing the report had negated the original intention of the national curriculum, which was to give parents simple benchmarks by which to judge their children's progress.

Five-year-olds are due to be taught English according to Cox's recommendations this September, with eight and 12-year-olds following next year and 14-year-olds in 1992.

The Department of Education and Science believes no extra resources are needed to deliver Cox's recommendations. However, Mr Doug McAvoy, general secretary designate of the National Union of Teachers, said a shortage of teachers would prevent the curriculum being delivered.

English for Ages 5 to 16. NCC, 15/17 New Street, York YO1 2RA. Free.

Average ability

AGE 11

● Give a detailed account of an event.
● Read aloud expressively, and with fluency, from a range of familiar literature.
● Organise non-chronological writing in orderly ways.

AGE 14

● Participate in simple presentations with some fluency.
● Talk about examples of changes in use and meaning over time.
● *Make some use of literary stylistic features.*

City 'surfeit of equity analysts'

By Philip Coggan

THERE MAY be 1,000 superfluous equity analysts in the City of London, according to the latest Extel Financial ranking.

Fifty-five per cent of fund managers polled believe that there is 50 per cent or more surplus capacity in the UK research business. There are 2,000 analysts, employed by 47 securities groups, working in London.

The survey also found that 43 per cent of investment managers think that the quality of research is deteriorating.

However, investment managers thought that the quality of the research produced by seven of the leading 10 firms was improving. Four-fifths of the weighted votes went to the top 10 firms, and 40 per cent *went to the top three.*

James Capel finished top of the poll for the 10th consecutive year, although the figures carry a slightly ambiguous message. Capel's share of the poll increased from 15 per cent of the total weighted votes in 1988 to 17 per cent this year; but 51 per cent of fund managers think the quality of its research is deteriorating.

Calsonic completes £15m deal for Llanelli Radiators

CALSONIC, the Japanese automotive components group, said yesterday it intended to make the former Rover Group subsidiary, Llanelli Radiators Holdings, "the foundation" for its expansion plans in Europe.

The Japanese group, an associate company of Nissan, has now completed its £15m takeover of Llanelli Radiators. The acquisition is an important part of the restructuring of the European automotive components industry, which is gathering pace in the run-up to the single European market.

It is one of the first moves by a Japanese automotive components maker to establish a presence in Europe through acquisition, although several, including Calsonic, are present through joint ventures or technical agreements.

Calsonic, formerly known as Nihon Radiators, is one of the world's leading makers of car air-conditioning systems, radiators, heaters, exhaust systems and catalytic converters. It said yesterday that it would establish operations in Europe covering research and development, manufacturing, marketing and service.

Its European presence has previously been limited largely to a joint venture with TI Group, TI-Nihon, in Washington, north-east England, close to the Nissan car plant. It is the sole supplier of exhaust systems for those cars. It also has a joint venture with TI in the Netherlands to supply exhaust systems to the after-sales market of parts and services.

It is understood that Calsonic is negotiating the takeover of TI Group's stake in the TI-Nihon joint venture.

Calsonic, in which Nissan holds a 33.2 per cent stake, had a consolidated turnover of Y180bn (£800m) in its last financial year. Its profitability has fallen sharply in the last two years, partly under the pressure of heavy investment, with group operating profit declining last year to Y2bn from Y3.4bn in 1987 and Y5.3bn in 1986.

Kevin Done reports on one of the first Japanese components makers to establish a presence in Europe through acquisition

Llanelli Radiators was sold by Rover Group in 1987. Calsonic's takeover, however, has created its own piece of UK industrial history as it is the first purchase of a company with an employee share ownership plan.

The employees controlled a quarter of the Llanelli Radiators equity, but they have accepted the takeover unanimously, taking the recommendation of the other main shareholders, the company's management, Rover Group, and Barclays de Zoete Wedd.

The 752 shareholder employees will each receive more than £4,450 after basic-rate tax for a holding for which they paid £500 some 18 months ago.

The acquisition of Llanelli Radiators gives Calsonic a ready-made position in the European automotive components market, particularly in the UK.

Rover Group is still the Llanelli Radiator's main customer, accounting for about 45 per cent of turnover, but the company is also a supplier to Nissan's Sunderland plant, which accounts for about 13 per cent of its sales, and to General Motors Europe in the shape of Vauxhall and Opel.

Llanelli Radiators is forecasting a turnover of £44m this year and has been modestly profitable since the buy-out.

It has a full-time workforce of 880 and more than 100 temporary employees producing radiators, heaters and seat frames. It has had technical links with Calsonic for several years and makes car heaters under licence from the Japanese group.

It accounts for about three-fifths of the original-equipment car radiator market in the UK as the sole supplier to Austin Rover, Land Rover and Nissan, and as the chief supplier to Vauxhall. It has a much smaller share of the car heater market, but is a supplier to Nissan – using Calsonic technology – and to Land Rover and Leyland DAF vans.

Llanelli Radiators is still small on a European scale in the face of competitors such as Valeo, Behr of West Germany, Harrison Radiator (the General Motors subsidiary), and Ford. But Mr Michael Reilly, Llanelli Radiators managing director, is confident that Calsonic's financial, technical and commercial backing can significantly strengthen the Welsh company's presence in the single European market.

TECHNOLOGY

Why R&D muscle must be toned up

David Fishlock finds out what research managers want from EC-funded programmes

An ominous warning for European Community investment in research and development was sounded when its own Joint Research Centre – with laboratories in Italy, Belgium and The Netherlands – started to market itself to industry. Far from there being a rush of business from European companies, the centre's first customer was Japanese.

The sense of unease created by this European apathy is unequivocally expressed by Harry Beckers, the extrovert Dutchman who has been top scientist at Royal Dutch/Shell for the past 11 years. Beckers leaves no one in any doubt that he is unhappy about the way European R&D is shaping up to meet the challenge of the single market in 1992. He says that Europe is simply not taking it as seriously as its trading rivals, Japan and the US. It still needs to define its goals for the long-term support of R&D.

As co-ordinator of Shell's R&D, Beckers commands a team of 4,500 with laboratories in Britain, Belgium, France, West Germany and The Netherlands. For nearly five years he has also been chairman of IRDAC, the Industrial R&D Advisory Committee of the European Commission.

IRDAC, says Beckers, represents the "consumers" – big and small – in European R&D. More than 400 research managers have participated in the committee's deliberations and it has made the following recommendations:

- Europe must strengthen its R&D base, with good networking to cope with the multi-disciplinary demands.
- It must show greater flexibility in training its workforce to cope with the shortages of specialists that are already looming, and be prepared to increase the retirement age in some cases.
- It must pay greater heed to harnessing existing technology for the benefit of the smaller company.
- It must harmonise its technical standards, regulations and product approval systems.
- It must co-ordinate national R&D efforts and try to avoid duplication.

Beckers believes that European R&D programmes, such as Esprit (electronics) and Brite (basic research in industrial technologies) are aimed at big companies. He says IRDAC has tried hard to discover what the EC should do to help smaller concerns.

A Danish civil servant puts the issue bluntly: "Not all small companies want to be big." He developed this theme at a recent discussion organised by the European Industrial Research Management Association (EIRMA) in Brussels. Europe's charm lay in its diversity, he said. From the standpoint of a small country like Denmark, with little public support for either industry or R&D, the main challenge facing the Community was to maintain that diversity.

He quoted a Danish company executive who said that before Esprit he had about 50 people he could consult on R&D issues; through Esprit, he had a catchment of about 2,000.

Britain, on the other hand, sees support for R&D as part of a "virtuous circle" that will strengthen European companies, making them more productive, more profitable and hence able to fund bigger R&D programmes of their own. For example, the European aircraft and aero-engine industry is expected to get stronger over the next decade and to need less financial support.

Ron Coleman, chief engineer and scientist at the Department of Trade and Industry (DTI), believes that the interest shown by the Japanese in European laboratories and universities should be matched by European companies. He cites Britain's new interdisciplinary research centres, based at universities, as potentially attractive partners for European companies. The latest, backed by £31m of Government funding, are in polymer science, process simulation, integration and control, and optical and laser-related science and technology.

Getting the climate right for European industry to compete with Japan and the US is the main role for government, as Coleman sees it. Maintaining the science base is an important part of this, he says, because science is an international activity. He estimates that two-thirds of the DTI's budget of about £1bn is devoted to encouraging collaboration, and half of that goes into international collaboration.

Jean-Paul Causse, joint general manager of St Gobain, the French glass-making group, sees R&D as a weapon fundamental to the progress of a European company in the 1990s. The single market gives Europe the chance of creating truly European companies. "There are none today," he says.

But the focus on "bigger is better" is what worries Beckers; and nowhere more than in electronics, where the EC has just announced its support for the ambitious Joint European Sub-micron Silicon Initiative (Jessi). It is planning to plough almost Ecu 1bn (£680m) into this Ecu 4bn Eureka venture over the next eight years. The aim is to provide the European semiconductor industry with sub-micron-scale manufacturing technology for chips, in a form that can be adapted to individual company requirements.

The "test vehicle" of the programme is to be the 64-megabit D-Ram (dynamic random access memory) chip. The target is to have it in production by 1995, with all the technology available throughout Europe.

Jessi won EC approval at a conference of ministers, from the 18 nations involved in the Eureka research programme, in Vienna this week. Pasquale Pistorio, president of SGS-Thomson Micro-electronics, an eloquent proponent of government support for advanced micro-electronics, says that "to slow down now is to fail." He sees the 4bn Ecu as "marginal" compared with the investment already made in European electronics.

Beckers has a different perspective. He can see no end to this kind of investment in electronics. It will simply compel Japan and the US to redouble their own efforts to stay ahead. No one can see a fundamental limit to the micro-miniaturisation of electronic circuits until the scientists reach molecular dimensions – a long way off yet.

He says that support for micro-miniaturised electronics is different from that for pre-competitive R&D in other technologies. It should be treated more like traditional EC support for such industries as steel and coal, that is, as an industry on which the sun will surely set if the taxpayer does not continue to subsidise it heavily.

Harry Beckers, head of Shell's R&D

A Siren that can lure an Exocet missile away from its target

Since the Falklands War, defence firms have been developing antidotes to the most feared weapon the Navy had to face in the South Atlantic: the Exocet.

One of the most promising lines of research is into a decoy designed to be fired over the ship's stern. Dangling from a parachute, the "offboard active decoy" transmits powerful jamming signals towards the incoming missile's homing device, "seducing" it away from the ship.

Three companies are bidding to go on to the £300m project development stage. They are GEC Marconi, Racal (leading a consortium with British Aerospace and SD Scicon) and Thorn EMI Electronics.

Marconi is in the lead with a fully developed system called Siren, built with the Admiralty Research Establishment. Siren (named after the Greek spirits who lured seamen on to the rocks with their singing) transmits a powerful radio signal mimicking the ship's main radar, which missiles are designed to home in on.

The device is fired from the standard Sea Gnat chaff dispenser, fitted on most UK and US warships to fire clouds of aluminium strips around the ship to confuse missiles. A small computer is installed in the control system to load the Siren decoy with information about the incoming threat.

The computer also calculates the best angle of fire. All the officer in command has to do is press the button.

On firing, a rocket carries the decoy into position about 150 metres from the ship, when a parachute opens. The decoy has a sophisticated mechanism for pointing the transmitter towards the missile and aiming a pencil radio beam at it.

Power is provided by an expendable travelling wave tube amplifier (TWT). Both STC and EEV, the GEC subsidiary, have developed relatively cheap, expendable TWTs that will operate for the five minutes necessary.

Siren grew out of a feasibility study for the Royal Navy, but the MoD's new procurement policies dictate a competition for the next phase, project development.

Racal's proposals are believed to be broadly similar to Marconi's, except that BAe is offering a selection of devices to keep the decoy airborne, including a hang glider, a flexible wing rather like a sycamore leaf and a paravane.

Thorn EMI declined to discuss its proposals.

The result of the British competition to develop the offboard active decoy should be announced in the autumn. But the losers will not have lost all. The Navy will need thousands of rounds when the system is deployed in the late 1990s, and the MoD's procurement rules stipulate competitive tendering for production contracts. At £50,000 to £100,000 a time, that will be good business.

Chris Partridge

Making diamond from gas

A METHOD of depositing true diamond films on to small engineering surfaces has been developed by Pilkington Electro-Optic Materials, of Dumbarton in Scotland.

Pilkington says that although diamond-like coatings have been available for some years, they have always exhibited qualities between those of true diamond and graphite. True micro-crystalline diamond surfaces have an abrasion resistance that is two to five times greater. Since there is less strain in the final film, it can be made thicker and self-supporting.

Some previous methods of producing diamond artificially involved very high pressures and temperatures, or even controlled explosions: mimicking the conditions that give rise to natural diamond.

The method used by Pilkington is for industrial coatings rather than gem stones. Diamond is formed by the breakdown of carbon-containing gases in a plasma (the ionised gas in an electrical discharge or spark). In this way, the necessary energy is imparted to the carbon to turn it into diamond, but without the use of enclosures at very high temperatures and pressures.

Pilkington is interested in exploring partnerships to develop commercial applications in the areas of cutting tools, wear resistant components in valves, and medical and scientific equipment.

A brush up for steel finishing

HOTANI, of Japan, is making available in Europe a new roller brush that finishes the surface of steel sheet. It will be marketed in the UK by Dendix, of Chepstow.

The brushes have bristles which consist of a Nylon 6 filament in which abrasive grit has been incorporated at the extrusion stage. The bristles are wrapped in a nylon sheath and arranged radially, with the gritted nylon ends exposed, to form a disc brush with a central hole.

Many discs are threaded on to a shaft and compressed to give a high-density roller brush. Diameters of up to 500 mm and lengths of nearly 2 metres can be provided.

The rollers can weigh up to 1.25 tonnes, but the trueness of the spin enables surface finishes between two and six microns (millionths of a metre) to be produced. They are water cooled and the internal shape allows good heat removal.

Hot rolling of steel produces scale which is removed by pickling (acid treatment), leaving a rough surface which is normally improved by shot blasting.

The Hotani process produces a combination of grinding and brushing which can be carried out immediately after pickling. Less processing is involved and manufacturing costs can be reduced. British Steel's Shotton plant will be among the first European users.

A record of air hazards

WALTON Radar Systems, of Farnborough in the UK, is aiming to export a radar recording system which can quickly provide information to civil aviation organisations after a near miss between aircraft, or similar incident.

With increasing levels of air traffic, the demand for such systems is likely to grow, although they are not yet mandatory. Walton has an initial order from the UK's Civil Aviation Authority for the London flight information region.

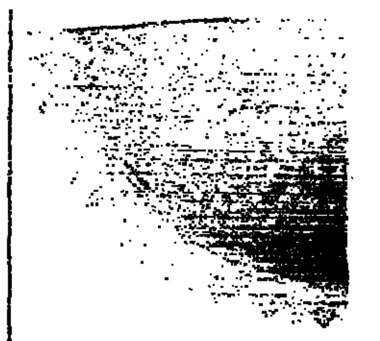
The tape recording systems operating in the UK are now 10 years old and use open reel recording. Walton's new Hindsight system is able to store the data from 20 radar stations over 24 hours on a single high-density, digital 8 mm cassette tape. It can also use hard disks, which allow rapid search and replay after an incident.

Optical storage for PCs

IDEAL Hardware, of Surbiton in the UK, is launching an erasable optical disk storage system which can be plugged into any personal computer that uses the MS-Dos or OS/2 operating systems.

Made by AGA of New York, the system can also be used on a shared basis in networks. It allows users to store, retrieve, modify or delete data on a 650 megabyte rewritable disk (a megabyte is 1m characters).

Known as the DR650 Discus, the unit allows large amounts of data normally held on mainframe stores to be downloaded to the 5.25 in disk for local access and processing. Simple interchange of data with the PC's existing hard or floppy disks is catered for. The unit costs £6,995.



WORTH WATCHING

Edited by Geoffrey Charlish

Automatic alarm for buildings

PREMISES can be protected against anything from theft to equipment failure with a telephone-based alarm system, called Phoneback, from IQD of Crewkerne, Somerset, in the UK.

The system automatically reports alarms from sensors and transmits measurements from process equipment to a remote location. The equipment can be controlled remotely via a phone line or radio link.

When used as part of an intruder alarm system, Phoneback will call five numbers in sequence, raising the alarm with a synthesised speech message. If there is no response from the first number, the system will work its way through the other four until contact is made.

Equipment control instructions from a remote point can be sent over a phone line using the tone signals from a press-button handset. A computerised dialogue is set up and the caller is able to press the numerical buttons to send control data to the equipment, having first heard synthesised speech versions of the readings at that moment.

A typical application is the monitoring of refrigerators in bulk food stores.

CONTACTS: Pilkington: UK, 0389 59021. Dendix: UK, 0291 625181. Walton Radar: UK, 0252 549657. Ideal Hardware: London, 390 1211. IQD: UK, 0460 77155.

THE PROPERTY MARKET

Taking the longer view

Paul Cheeseright looks at foreign confidence in London property

The investment market faces a test. With the disclosure that Standard Chartered Bank is selling its head office complex at 38 Bishopsgate in the City of London, it is becoming apparent just how serious foreign investors are about central London property.

Foreign investors have been underpinning the City investment market and domestic institutions have been relatively reserved about new purchases. Indeed, the UK institutions have had the opportunity to unload some of their holdings. But 38 Bishopsgate, modern in front, refurbished early 20th century buildings behind, with 200,000 sq ft of space, is the sort of complex that only the largest investor, foreign or domestic, can contemplate buying.

With a value of over £200m it is a large morsel to swallow. Its sale at this price would make it one of the biggest single property transactions in Britain. Mountleigh sold Beaufort House in the City to Norwich Union last year for £200m and, in the biggest transaction involving foreign interests, Manufacturers Hanover Corporation sold the Adelphi building in the West End of London to Gefica Industries, a Middle Eastern investment company, for £190m.

Foreign investment interest in central London has been building up gradually, as the accompanying chart shows. And, this year, the pace appears to have quickened.

In recent weeks, for example, Skandia Life Insurance of Sweden has paid City Site Estates £25.5m for three West End properties, Control Securities has sold a West End property to a Hong Kong trust for £22m, Sumitomo Life has paid Electricity Supply Nominees more than £80m for a building in the heart of the City.

What is apparent is that both foreign investors and developers have greater confidence in the City, as opposed to the West End market, than many of their British counterparts. The British reservation is encapsulated in the graph: the amount of space becoming available could bring rental growth down to a modest rate.

Over the medium-term the situation may be different given economic growth and the consolidation of London's position as the main financial centre in Europe.

But just as British developers were not interested in Bracken House at the price Ohbayashi paid – £143m to Pearson – in 1987, so they tend to shudder at the £82m which Land Equity Group of Australia is paying to Eagle Star to build 55,000 sq ft of offices opposite the Bank of England.

On the institutional side, it is clear that Japanese property companies and institutions are prepared to take a longer view than British institutions. Partly, of course, this is because in Japanese eyes, London properties look relatively cheap compared with those in Tokyo, although not necessarily with those in the US, which has attracted the bulk of Japanese property investment. In any case, many British institutions have stepped up their property trading at the expense of their longer-term investment.

But it is not clear whether Scandinavian investors take a similar long-term view. They have not been in the market long enough. But the Scandinavians share the Japanese desire to diversify assets and to establish a presence in the EC as internal trade barriers drop. In addition, both appear to be more comfortable in the British market than elsewhere in Europe – hence more of their investment has arrived in London than in other capitals.

By general agreement, the Japanese and Scandinavian investors are the most active on the market – the former interested largely in core City properties, the latter more catholic in choice. But there are others. There have been some high-profile Australian deals, some evidence of Hong Kong Chinese interest, some patchy buying from Middle East funds and Venezuelan purchases like that of Paternoster Square by Organizacion Diego Cisneros.

The effect of this activity, plus what Healey & Baker, chartered surveyors, terms "market evidence that more than 10m sq ft could potentially be occupied by tenants with identified requirements for new premises," has been to hold yields down.

"Although the prime yield for office investment in central London remains at 5 per cent, recent trading suggests that for some buildings, a lower yield might be obtainable," Healey & Baker suggests.

The effect of the requirement for new premises will diminish as more and more buildings move into the supply pipeline. If that is the case, then the role of foreign buyers in underpinning the investment market in the City will assume greater importance.

Barclays de Zoete Wedd, the City securities house, has already shown that some types of foreign investment can be transitory – noting the spectacular Japanese development acquisitions in the City during 1987 and the dearth since then.

"While there are no grounds for thinking that current purchases are other than long-term investments," argues BZW, "the pattern of investment in other markets – particularly the US – suggests that Japanese investors, having established a position in the market with a 'full price' acquisition linked perhaps to business interests in Japan, do not necessarily expect to compete so fiercely for future acquisitions."

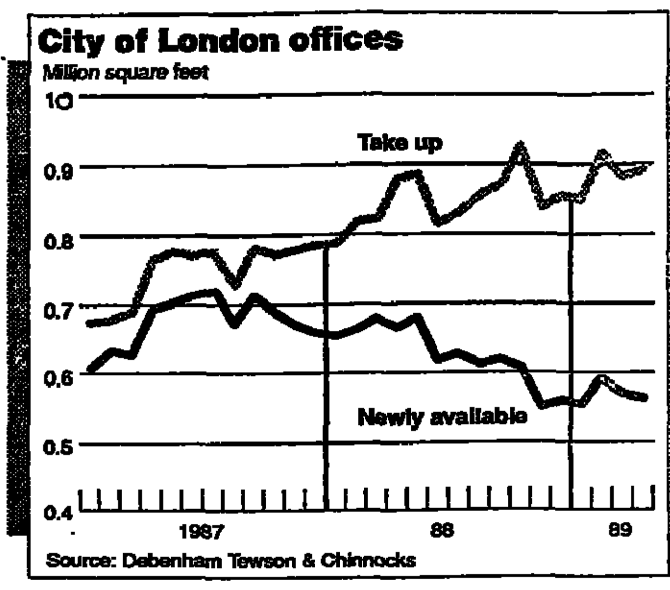
Although there has been foreign investment in the London market for decades, the latest wave has gathered force partly in response to the growth of the British economy and to the power of the City in world financial markets. It has coincided with sustained tenant demand.

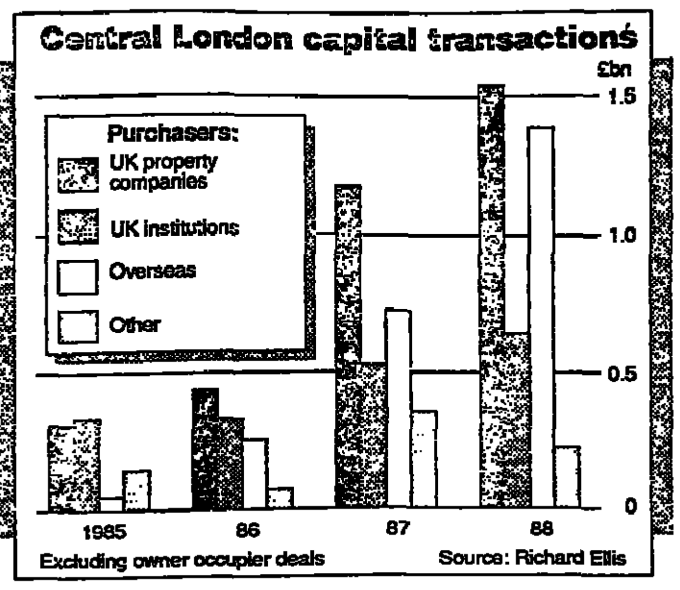
What is not clear is the possible effect on this investment of a downturn in the economy and a subsequent easing of demand pressures either because the demand itself slackens or because there is more space to meet it.

One significant fact about the sale of 38 Bishopsgate is that it comes when market sentiment has shifted to a slightly more bearish tack. It is of especial interest not only because it is a standing investment but also because there is planning permission for redevelopment of part of the complex, adding another 56,000 sq ft of office space.

The point is that foreign investors may prove reluctant to pay higher prices when domestic sentiment and demand patterns point to a lower level, and when the prospects of increases in capital value may be delayed. A more sluggish market would tend to lower the entry fee and eliminate the difference which has opened up between the prices foreign interests are prepared to pay and those acceptable to British buyers.

Notwithstanding the long-term nature of some of the foreign investment, capital is footloose and will tend to gravitate towards the areas of highest and most stable returns. That does not always have to be London.





Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to Apr 89	17.6	25.3	24.9	22.0
Monthly rate – Apr 89	0.9	1.0	1.5	1.0

Source: Investment Property Databank

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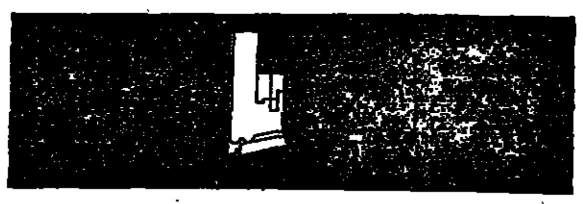

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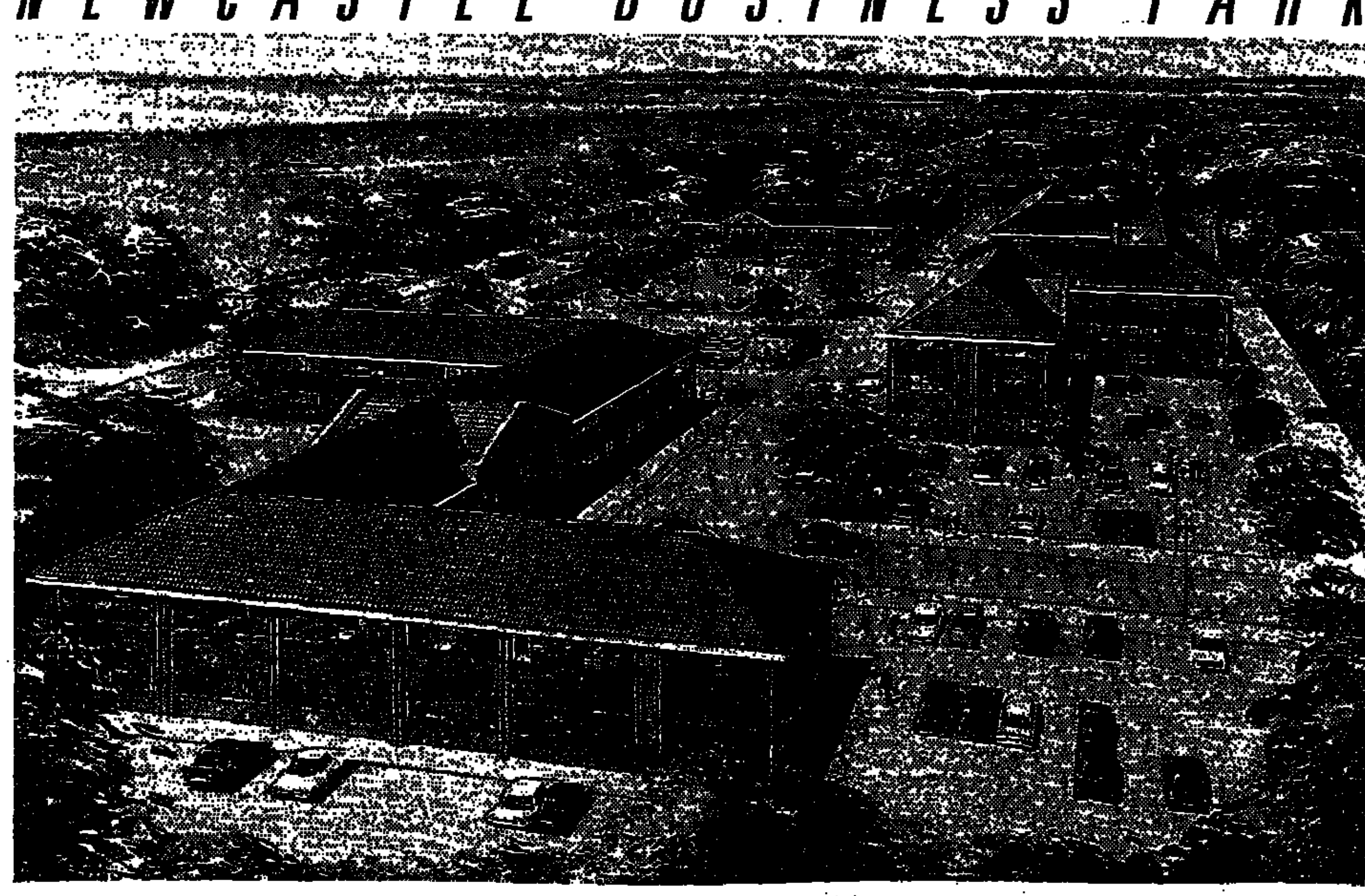

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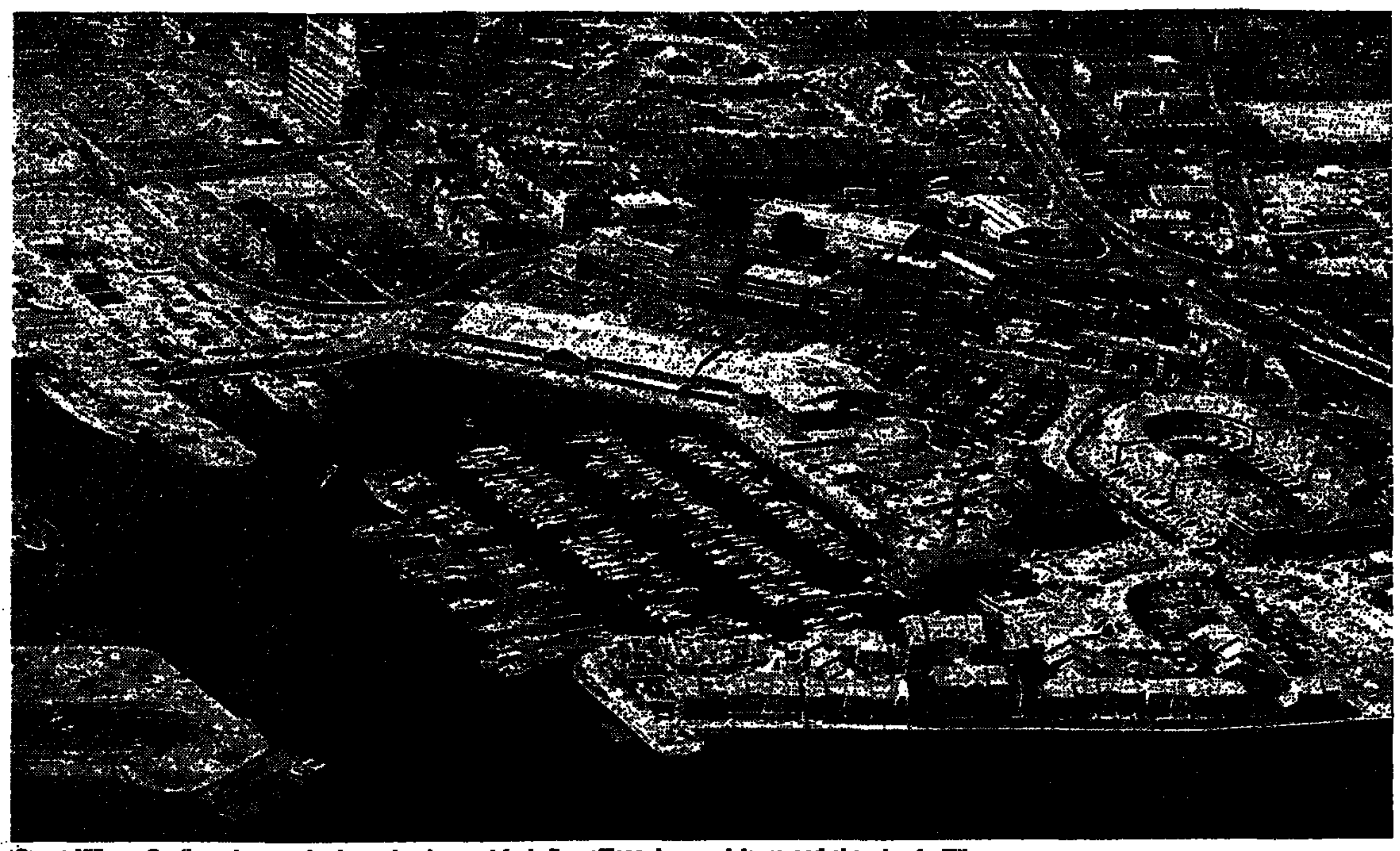
FINANCIAL TIMES SURVEY

The British have re-discovered water, both inland and on the coast, as a valuable focus for property development. This has prompted a multitude of projects embracing leisure, retail, residential and office activities. Paul Cheeseright reports.

Phenomenon of the decade



Ocean Village, Southampton: a mixed-use development including offices, homes, leisure and shopping facilities

MARINA AND WATERFRONT DEVELOPMENT

DOUBTS about the immediate future of the economy cast a shadow over the short-term prospects for a movement that, this decade, has been one of the most striking phenomena in the property industry.

In waterfront developments, whether or not based round a marina, key elements of property industry activity come together — housing, retail facilities, leisure, offices. Industrial premises, for the most part, tend to be pushed further back from the water.

The first three of these key elements have in common a dependence on the disposable income of individuals. The fourth depends, naturally, on the commercial climate at any given time. It is, of course, precisely the disposition of this disposable income that the Government with its policy of higher interest rates has been trying to bring under control.

To that extent, waterfront developments are right in the firing line of Mr Nigel Lawson, the Chancellor of the Exchequer. Few sectors of the residential property market have responded to the growth of the economy with the same panache as that based on waterfront developments: price rises of up to 70 per cent in a year on marina houses along the south coast, releases of flats at Albert Dock, Liverpool, all taken up in 24 hours.

But the housing market is slowing generally and the higher cost of money affects waterfront developments as well as any other. This comes when the retail industry has been under pressure: some of the multiples have seen their profit margins crumbling, independents have been coming to terms with a higher cost structure. And leisure activities are dependent in any case on the amount of money people have in their pocket.

The combination of these factors is likely to cause problems for the myriad new waterfront developments under construction or planned. If there was one lesson from the experience of the Brighton marina in the 1970s and its subsequent takeover in the 1980s by Brent Walker, it is that marinas of themselves are not necessarily very exciting business. They only become so when the water element is used as a focal point for the whole range of property activities.

In the US, the general experience was that if a place was created for people to moor a boat, then the boats would appear. The affluent society needed somewhere to put its toys. Building on that experience, watching the steady rise in incomes and the thirst of for new surroundings and new forms of leisure, has meant that hardly a corner of the country is now without its marina or its plans for one.

So the whole movement is a reflection of growing standards of living and a pressure for an improvement in the living and working environment. Water, which had been ignored in so many cities and towns, has become a saleable asset in the wider process of regenerating the national property stock. Whole areas closed off because of commercial activity have been opened up.

Further, the spread of waterfront developments is additional evidence of the way in which the economy itself is changing. The developments are another manifestation of the growth of the services economy. Their retail element is part of a general expansion throughout Britain of shopping facilities. They replace the industrial and transport activities which previously had been dependent on access to the sea or to the canals and which now have withered or moved.

But the speed of this replacement is the speed of the economy. The willingness to invest is a totem of industry confidence in the economy. Arguably, this confidence is slackening. Returns from commercial property have started to come off the top and the south-eastern housing market especially has slowed down — witness the flurry of buying incentives for residential developments in London Docklands where the amount of building outpaced the movement of the economy.

This would suggest that for the next year or two waterfront developers locked into existing schemes are likely to have a more difficult time. Reduced cashflow from residential sales used to help the funding of the commercial part of a development could be pinched. But it does not suggest that the whole process of waterfront development is likely to grind to a halt.

For one thing, the process is deeply rooted in the wider changes taking place in the economy and those changes will continue at varying speeds regardless of short-term movements on interests. Second, the more ambitious waterfront developments are designed to come to fruition perhaps two or three years from now, by which time another phase of the economy will probably have started. Higher interest rates may be an irritant, but they are not likely to be decisive for larger companies.

Certainly, the fate of marina and waterfront property will mirror that of the industry at large. Water may be an additional attraction, a factor in pushing up adjacent land prices, but it will not of itself create an environment impervious to the trends outside.

Although it is true that marinas on the south coast attract customers to moor and shop and stay from as far away as the Midlands, more generally marina property performance reflects that of the region in which it is situated.

Notwithstanding that marinas on the south coast generally provide a better base for sailing than those on the east and west coasts, their more rapid and prosperous development is a function of the fact that this area is where the most striking property performance has been anyway.

The surge in property values that has been particularly apparent since 1986 started in the south and then spread northwards. Thus London Docklands, with its mixture of offices and residences built on the framework of once derelict wharves has been much more successful in drawing in private capital than Merseyside.

It is noticeable that the waterfront developments planned for cities like Newcastle or Cardiff have coincided with a rise in the property values in the north-east and Wales that has come later than that in the south-east. It is also noticeable that, in cities where the nature of industry has either radically changed or simply disappeared, waterfront projects have been seen not as a consequence of greater economic growth but as a possible catalyst for it. Hull and Sheffield are cases in point.

This points up the role of waterfront development in the overall process of urban regeneration which recognises that the presence of water — suitably cleaned up — creates the basic agreeable environment for the siting of new offices. Hence the plans for new commercial complexes around the canals of Birmingham Heartlands or the creation of a new office centre for Manchester alongside the canals of Salford.

But the need for new offices in the regions is, of course, a result of economic expansion, in just the same way as in London it is the result of, especially, the expansion of the financial community. If the expansion slows then no amount of water or lengths of riverside walkways will hasten the regeneration and its waterfront developments.

It is at least partly the uncertainty about future economic expansion that has led the Government to put in place a battery of incentives, in the form of grants and tax concessions, to hasten the conversion of derelict waterfronts. Some developments, especially in the Midlands and north can still not be justified without an injection of official finance.

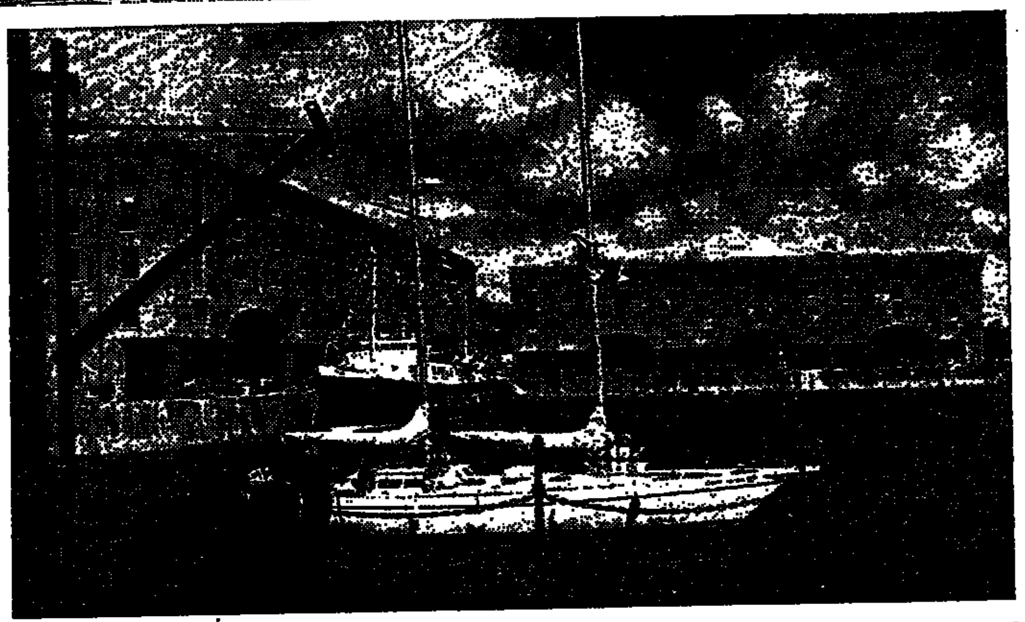
But the finances of waterfront schemes can be transformed if the land is in the books of the developing company at a low or nominal price. Thus the growth of interest in coast property has provided Associated British Ports with a wealth of commercial opportunities which it has been exploiting to the extent that property is just as important to its finances as port operations.

Similarly, the land holdings of the Manchester Ship Canal Company provide it with a series of property opportunities of which it is now beginning to take advantage. The possibility of retail developments has evoked market interest in Mersey Docks and Harbour Board. At the same time, the fashion for water has given a financial fillip to the state-owned British Waterways Board and the state-controlled Crown Estate.

The big landowners will be able to sit out any hiccup in a market which has had in parts of the south the appearance of boiling over and which, elsewhere, may have been approaching a peak. The danger is that some schemes may have been designed in more expensive terms than the local markets can bear in the short term. But the longer term future is assured.

Paul Cheeseright looks at urban regeneration schemes

Greening away rubbish dumps of the past



Salford Quays, Greater Manchester: the council bought land and established a mechanism to obtain funding for private developers. Albert Dock, Liverpool (right): Arguably the most striking treatment of the rehabilitation of old warehouses along the waterfront.

THE death or departure of Victorian industry and commerce left in many British cities a forlorn and unwanted landscape of crumbling warehouses, dirty waterways and bleak waterfronts.

The wasting of urban areas continued into the early 1980s as latter-day recessions led to the slimming down of traditional industries such as steel, the near extinction of others like shipbuilding. Changes in the pattern of overseas trade created new ports, left old ones to wither.

Fortuitously much of the urban dereliction in the UK has been around inland waterways or along the coast. What has been happening in these centres has been both a cleaning-up of the past – a greening, to use the current jargon – and a movement into new forms of commercial activity. All of a sudden, the water is not a handy rubbish dump or a conduit for goods but an exploitable toy in development.

Yet this activity has been uneven and in some places it has hardly begun. But there are at least four themes which run through the different geographical areas and their waterfront developments.

The first relates to investment. The property investing institutions have for the most part eschewed this sort of renewal project as too risky. Even in London Docklands there has been only tiny institutional interest. Nor have the very largest property investment companies rushed into this sector. There have, of course, been exceptions: Guardian Royal Exchange is involved in London Docklands and Land Securities has a waterfront shopping project at Hull.

But the greater part of the activity has taken place either through property development companies using extensive bank financing and established lines of credit or through companies already with extensive land holdings on waterfront areas.

The second springs out of this state of affairs. It is that the degree of enthusiasm for the regeneration projects has tended to reflect the general thrust of the property industry. That is, the current surge of industry activity started in London and the south-east and then spread outwards as developers scented the possibility of higher returns in a growing economy.

Hence much more has been done to clean up the dock areas on both sides of the Thames, or at Southampton, than has been achieved, for example, in Glasgow, Cardiff, Newcastle, or, inland, Manchester and Birmingham with their network of canals. But, given the discovery that people actually like to be by water, it is the waterfront sites in all of these places which are considered prime for development. In other words, the waterfront areas are a sort of spearhead of local regeneration.

A third theme springs out of the confluence of a relatively narrow base of investment funds and the desire of developers to achieve adequate margins on their ventures. The property values which may be achieved by the development of land outside the south-east have frequently not been high to make private sector funding a dependable source.

Certainly the ingenuity put into the financial engineering which has made possible some major City of London office schemes does not seem to have been applied on, say, the Liverpool waterfront.

This, then, has led to the necessity of some state funding, channelled through urban development corporations, increasingly through City Grant, so that local authorities are bypassed, and through a battery of other concessions. At least one reason why parts of London Docklands have drawn in companies has been the existence of an enterprise zone with 100 per cent capital allowances and a rate-free holiday.

The Government's favoured method of promoting regeneration has been through urban development corporations with their sweeping and sometimes fast-track planning powers and some funding for land assembly and the provision of infrastructure.

The existence of these corporations, allied to the natural local interest of local authorities in the regeneration of their own areas, can itself lead to a rise in land values before very much has happened in the way of regeneration. It was noticeable, for instance, that site prices started rising in Cardiff as soon as an urban development corporation was set up. They have probably doubled in the last 18 months.

The role of these public authorities points to the fourth theme. It is the existence of public-private sector co-operation on many waterfront development schemes. The corporations are providing land, an ease of planning and an infrastructure for development, as in the case of the Teesside Development Corporation at Hartlepool. The property companies have built on this with their projects and finance.

Thus the Albert Dock scheme in Liverpool, arguably the most striking treatment in the region of the rehabilitation of old warehouses, is a joint venture between the Merseyside Development Corporation and Arrowcroft. Again, the Quayside project on 3,300 feet of river frontage at Newcastle is a joint venture between Shearwater Property and Stanley Miller in partnership with the Tyne & Wear Development Corporation.

But the private-public sector co-operation goes further. Although the Government has tended to sidestep local authorities where it can, the latter have played a signal part in some areas.

It is doubtful whether the rehabilitation of Salford Quays, with its offices, homes and hotel would have taken place if the local council had not bought land and then established a mechanism to obtain funding for private sector developers. Similarly, the Douglas-Tarmac-Wimpey-Bryant joint venture, Waterlinks, in Birmingham Heartlands, is based on co-operation with the Birmingham City Council.

Fortuitously much of the urban dereliction has been around inland waterways or along the coast

Further, the links between the public and private sector are strengthened by the fact that it is often public sector agencies which possess the land. As these agencies are themselves under pressure to maximise their returns, they have to turn to the private sector for joint ventures where they put in the land as their equity share and the property company undertakes the finance and development.

The most striking example of this is the British Waterways Board at, for example, Sheffield, the Limehouse Basin in London Docklands and pre-eminently at Paddington Basin in West London where a rundown area of utter indistinction is to be the subject of a joint venture with Trafalgar House.

Equally, the Crown Estate, owner of more than half the British foreshore, is becoming involved with reclamation projects which will result in development projects at Portsmouth and Gosport and is co-operating with the greening of land on Teesside.

BRITISH WATERWAYS BOARD

Sleepy image discarded

DEEP in the heart of Europe's largest urban regeneration projects is the quiet influence of one of its least-known developers. The British Waterways Board is probably dismissed by most people as the sleepy trustee of clogged canals and crumbling warehouses rather than as a mover and shaker in the property world. But the image is no longer accurate.

The Regent's Canal passes through the centre of the £2bn King's Cross redevelopment zone. Ten years ago it would probably have been filled or truncated to create more land: today it is planned to play an important role in creating a waterfront ambience for part of the scheme. And a newly-aggressive BWB will play a key part in deciding how its asset will be used – and reap a slice of the windfall profits.

King's Cross is no flash in the pan. Paddington Basin might be dwarfed by King's Cross but its proposed £350m renaissance still ranks as one of the country's largest mixed development schemes. The BWB is even more of a force here as the sole landowner. It chose Trafalgar House as lead developer and negotiated a substantial slug of the projected income from something like 450 homes, 250,000 sq ft of offices and a mix of other uses focused on the Grand Union Canal.

This emergence of the board as a major force in urban redevelopment partly reflects the discovery that its assets were not some declining relic but a potent force in land-hungry Britain. Just like British Rail, it is exploiting once-forgotten backwaters in town centres to help defray the costs of maintaining its main services.

The other important factor has been a revitalised attitude to management under Mr David Ingham, its new chairman. Individual regions must draw up plans for exploiting their waterways and chase development opportunities. The aim is to slash government grants, which amounted to £45m last year, by creating a strong source of income.

With 4,000 miles of canal banks to call on and developers scrambling for waterside views, the prospects appear promising. But things are not that clear-cut. The BWB does not own large swathes of land along its canals in the same way that BR commands the corridors of its lines. The board may also have to grit its teeth and reject schemes to prevent development ribboning along banks and destroying the natural element it seeks to protect.

But it is keen to attract land-owner partners in the right places and has some remarkably powerful weapons if builders decide to go their own way. Bridging a canal, tidying up the bank, or even running in drains require the board's permission. It will not give that without a slice of the profit, which can suddenly present a builder with a nasty extra site cost. This is why BWB surveyors try to ensure they are brought in early.

That proved no problem in the BWB's first leisure-based joint venture with the private sector, a £65m mixed development with the Erostin Group in Milton Keynes. This is a new town with the remarkable claim to 50 per cent more waterfront than Jersey because of its canals and lakes. And its development corporation maintains tight control.

Old-town planners are even more strict with their precious assets. Canal basins lay quietly slumbering for decades in cities such as Sheffield, Coventry, Birmingham and Gloucester until the board rediscovered these potential treasure boxes. An urban grant here, a private sector partner there and they were set for rebirth as fashionably leisure-based commercial or residential centres.

Milton Keynes has 50 per cent more waterfront than Jersey

However, many took an age of negotiations to get off the ground. They were smothered in historic buildings, which planners insisted on retaining even though they could be an economic nightmare. Gloucester Docks had 23, but with the help of Pearce Developments, the board made the figures stack up and produced more than 250,000 sq ft of commercial space.

Perhaps it helped that Pearce is part of the Crest Nicholson group, with a marina arm through Camper & Nicholson. Now Crest is hoping to do a similar job on Bretford Docks, another potential star turn for the BWB.

A lot more sites do not graduate to star status but provide clutches of homes or workshops to brighten the inner cities. The board probably has more than 200 lined up, many waiting for partnership deals with the private sector. But developers know they will have to meet tough demands from a vigorous new outfit.

David Lawson

CROWN ESTATE

Ground landlord along the coast

THE Crown Estate has a crucial position in developments around Britain's shores. It owns 55 per cent of the foreshore – the land which lies between high and low tide marks and most of the seabed out to the territorial limit.

In recent years the Crown Estate has been taking a more aggressive approach to extracting gains from its holdings. Last year it presented commercial accounts for the first time and the year before it published for the first time a property valuation.

Run by commissioners, the Crown Estate is land belonging to the sovereign that has been surrendered to the Government in exchange for funds on the Civil List. But the commissioners last year were told by the National Audit Office, the parliamentary watchdog of state agencies, that more progress needed to be made in running it like a commercial company.

The more progress that is made, the higher the revenues the Crown Estate is likely to receive from its foreshore and seabed estate. In the year to March 1988, the last for which figures have been published, they came to a modest £6.2m.

The Crown Estate's power comes from its position as the ground landlord for a large number of the marinas around the coast.

But rather than relying on a passive stream of ground rents, the Crown Estate has now appointed managing agents to take a more active interest and is talking of taking partnerships with marina operators and developers.

The last annual report noted that "the Crown estate is concentrating its coastal development efforts on the Solent. This is the most heavily used coastline in the UK.

There is a substantial and increasing demand for moorings and marinas in the area and a growing number of people want to love and work there."

But a more active policy has not always been the easiest to execute. The Crown Estate controls the leasing of fish farms – largely for salmon – but its attempts to raise more revenue from a tariff on salmon produced met with protests from smaller operators. It has also been under attack from environmentalists who have charged that there is no strategy for the leasing.

Paul Cheeseright

MARINA AND WATERFRONT DEVELOPMENT 3

David Lawson looks at Associated British Ports' land exploitation

Gold strike in the swamps

ONE section of Associated British Ports' annual accounts will be nagging at the minds of union leaders as they struggle to control the temper of their members in the docks during the industrial action. In the first half of this financial year, 50 per cent of ABP's £21.2m profits came from property development, and a dozen schemes are under way which should push this proportion even higher.

Shipping is not being dumped for the sake of speculative development. Every effort has been made to exploit the hundreds of acres of surplus land lying derelict around the group's 21 ports as a means of subsidising its traditional activities. But there must be a hidden threat to docks making losses or on wafer-thin margins. Long stoppages and bigger losses could swing the balance from ships to homes and shopping centres.

For the moment, however, that is the last thing on the mind of Mr Paul Marber, the property expert brought in to mastermind the exploitation of ABP's untapped waterfront assets two years ago when the group absorbed Grosvenor Square Properties. He has enough on his hands with a 10-year programme for transforming sites he would probably never have considered in his long career as a developer of city-centre office blocks and greenfield shopping malls.

His optimism shows how fashions have changed. If not part of ABP, he would probably be among the scrum of developers scrambling to get within sight of any form of water, realising that the view adds huge premiums to the value of homes, offices and shops.

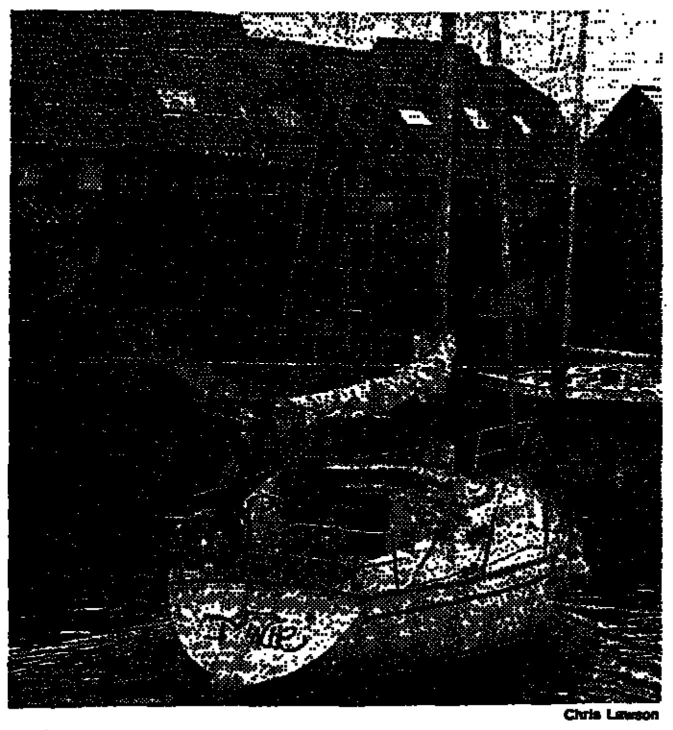
Dibden Bay on Southampton Water, for instance, would once have been considered a joke. Some 600 acres of sludge dumped from excavation of the original docks, it is more water than soil. But the runaway success of Hythe Village Marina to the south and schemes such as Ocean Village and Town Quay closer to Southampton have turned this tidal swamp into another potential goldmine.

The reeking mudflats of Cardiff Bay and seven miles of ageing docks around Hull were equally uninspiring: now they are a focus for urban redevelopments running into millions of pounds.

No hint of the cost of transforming these sow's ears appears in ABP's accounts, however. Accurate figures would be impossible, says Mr Marber, because of the complexity of dealing with these difficult sites.

First, the up-front costs can be massive. Docks may have to be filled – or excavated and repaired – and are often heavily polluted by the asbestos left from broken-up ships' boilers. New roads may be required, such as at Dibden, and all the other infrastructure installed in ground conditions inevitably poor because they are close to the water.

All these are uncertain liabilities until detailed surveys reveal the extent of problems.



Chris Lawson

Hythe Village Marina: a runaway success on the waterfront

They may wipe out notional land values, negating the group's advantage in owning the land. In Hull, for instance, a large grant was necessary to make development viable. But as in so many other schemes, once ABP had created a major warehousing and leisure centre, the whole place took off and boosted surrounding values, so other developers were able to capitalise on ABP's initial investment.

"We have to create sites rather than just manipulate them," says Mr Marber. "And every scheme is a balancing act." Unlike an independent developer, ABP's first consideration is for its operational docks, so new schemes have to be designed to co-exist with shipping rather than replace it.

This may require some complex juggling. The freeport site at Southampton, for instance, is pencilled in for attention once surrounding ABP schemes such as Town Quay have matured. Planners have approved large mixed-use redevelopment, but this is a thriving port, with shipping trade that ABP does not want to lose.

Another major uncertainty preventing detailed cost projection is the variety of development arrangements operated by ABP. In spite of the internal expertise, it rarely operates alone. Housing is often shunted off to a specialist, producing immediate returns.

Development partnerships for ABP's schemes at Ocean Village and Town Quay were already in place before Grosvenor Square was brought in. Shearwater has a half-interest in the former, and has been the dominant force in determining the pattern of shopping and office development. Builders like Dean & Dyball were sold the rights to build and operate the marina and housing.

ABP benefits by selling land according to a set price formula each year and receiving half the development profits. Development rights for Town Quay were passed to Bargate Securities on a ground lease deal which yields ABP a percentage of rents and profits.

Queen's Quay, however, centred on a dry-dock between these two, will be completely under the Marber influence. There are plans to spend £100m on a 225,000 sq ft office campus and a 175-room hotel and to farm out land for 200 homes.

But ABP's showpiece in future years may not be the crowded water of Southampton water where high land values have made development reasonably certain and easy. Cardiff is now moving closer to the centre of attention as the Bill for a barrage to transform the mudflats into a massive waterfront redevelopment moves through Parliament. Mr Marber aims to make maximum capital out of the 180 acres he controls within the urban development corporation's territory.

MARINA DEVELOPMENT GROUP

Berth rights on long leases

MARINAS may be the focus of waterfront schemes but land lubber developers tend to look on the boats themselves as loss-leaders. Apart from groups such as Crest Nicholson and Dean & Dyball, they have little knowledge of managing berths and servicing "yachties", so they franchise to specialists.

This is understandable considering the high overheads and low returns. But Marina Development Group, Britain's biggest operator, has a new approach which should bring in capital at a time when it may need cash to fight potential bidders and to set up its own property developments.

Owners are being offered long leases on berths at £40,000 a time and 50 have put down deposits at the group's Hamble Point marina. Torquay and Port Hamble berths will be next on the block, says Mr Philip Mason, managing director. MDG has to start capitalising on its assets, after escaping takeover by major shareholder Local London group by the skin of its teeth because the bidder was itself acquired by Priest Marians, another property developer.

Rumours still circulate that Brighton marina-owner Brent Walker will now come into the picture. It pulled the plug on Local London by selling a large shareholding to Priest Marians – which could now pass on its major holding in MDG. But the months have passed, MDG has just announced tripled annual profits of £4.6m and nothing has happened.

The potential reserves available to MDG from its 4,000 berths are enormous, and it is about to add to its tally of 11 marinas. Mr Mason hopes to extend lease sales to five by next year. Not all would be as valuable as Hamble's but they will still attract heavy interest because of the increasing shortage of berthing.

Owners who may spend £45,000 on a cruiser are desperate for a guaranteed secure place to keep it. At the moment they have only annual tenure. But there are many in more modest boats who fear they are being squeezed out.

One extra worry for the less-monied classes is that investors have already moved into the US to capitalise on the strong appreciation in berth prices. Once MDG opens up its offer to outsiders, it will not be long before multiple-purchasers are knocking on its doors.

Ignoring the uncertain future of its major shareholding, MDG is also making long-term plans to exploit some of its 400 acres of land. The potential value of joint ventures will not have escaped the attention of chairman Mr David Heimann who is, after all, a property man. Wates Homes is involved in an 80-acre scheme near Thorpe Park in the salubrious Surrey stockbroker belt, where gravel pits provide the waterfront interest.

A possible 20,000 sq ft retail and office scheme may also provide the first phase of redevelopment on 20 acres at Hayling Island if the planners agree. Cobb's Quay in Poole is on the list for a new marina and housing once the council decides whether to build a new bridge over the harbour.

In the meantime, attention will focus on berth sales, which will raise cash without any threat from local objectors as the planners have no powers to intervene. But the MDG board may find themselves increasingly short of a drink in some yacht clubs, as thunder is already rumbling from those who feel they may be squeezed out because they cannot afford to buy.

David Lawson

Homes with water views for sailors

Rush to the sea speeds up

IF SAILING can be likened to tearing up £50 notes while standing fully clothed in a shower, building homes for sailors is sometimes more like printing new notes in the comfort of a cosy office. Housebuilders have only recently discovered the hidden demand for bringing home and boat together, yet already there are plans for close to £2bn worth of marina-based development in more than 40 schemes around Britain.

At one end of the market are the 'boaties', with money for a second home which has a berth at the bottom of the path

The figure could be much higher, according to Mr David Camp at research specialist Applied Leisure Marketing. He has been unable to include accurate values for every scheme. Nor does his research include hundreds of small schemes without a designated marina, where builders have been making hay out of the fact that buyers will pay from 20 to 40 per cent over local prices for water views.

This illustrates the two distinct strands making up the waterfront housing boom. At one end of the market are the "big boaties", with an urge to be close to their heart's desire. They are usually older, with money for a luxurious second home with a berth at the bottom of the path. They may work from here, with another base in town, or intend retiring within a few years. They will pay up to £750,000 for a house in a blue-chip scheme such as Brighton Marina or Hythe Village near Southampton.

Until the recent market collapse, this rush to the sea saw prices triple within a few years, and builders expect the roller-coaster to gather speed again when the crisis is over.

The price spiral was just as impressive on more modest apartments and houses at the other end of the scale, sold *chiefly for their location* rather than any suppressed nautical ability. London's Docklands, for instance, would never have succeeded without its extensive waterscapes. The problem here is that builders were so enthusiastic they have set up a production line which cannot be halted, even though demand has frozen. This is why prices are crashing.

Elsewhere, the crisis is not so severe because supply is still relatively limited. Way out at Brunel Quay in West Wales, for instance, Dean & Dyball is offering one-bed apartments for less than £60,000. Even in glossy developments such as *Port Solent at Portsmouth*, many of the houses and flats are still within the range of local buyers. These were never aimed at the super-rich and the yellow-welly brigade in any case. Ordinary homes in a special setting were seen as a magnet to ordinary buyers, and this has proved a successful component to waterside regeneration schemes far removed from the hype and luxury of the leading marinas.

But while most major waterfront developments contain an element of affordable housing, they are plainly seen as a touch of glamour to revive a declining backwater. Swansea Maritime Quarter proved how successful this could be; now places as unlikely as Hartlepool are climbing on the bandwagon.

A barrage of grants plus cross-subsidies from commercial development have opened the door to the migration of marinas from high-value southern areas to run-down provincial towns.

This is all welcome grist to the mills of builders who find other inner city sites uninspiring and greenfield land unattainable. Lovell, for instance, has more than 4,500 waterside homes under way, including 500 for the formerly drab old harbour at Barry in South Wales and 1,500 at Hartlepool. The grand title Hartlepool *Renaissance indicates how different* these are from the rich playgrounds of the south.

They are inner-city regenerations hooked to the advantages of waterside locations. The approach may differ from the berth-with-every-home approach pioneered by Dean & Dyball at Ocean Village, the first marina created mainly for housing rather than boats alone. However, it is likely to tap a much wider market.

Builders were so enthusiastic they set up a production line which cannot be halted, even though demand has frozen

But "lifestyle" will continue to grow in importance as a marketing tool, and waterfronts could prove far more than a niche market for boaties over the next decade, particularly as a privatised water industry throws up hundreds of new development sites.

David Lawson

MANAGEMENT

The Italian connection: a stark contrast in corporate manners

Christopher Lorenz continues his series on Electrolux by examining the sensitive process of blending its Swedish culture with that of Zanussi, its largest European acquisition

The deep cultural differences in managerial behaviour which have to be bridged in European cross-border acquisitions have seldom been expressed more frankly than by Gian Mario Rossignolo, the man whom Electrolux brought in to chair Zanussi as part of its takeover of the big Italian appliances company at the end of 1984.

"We have now adopted the Swedish work ethic," Rossignolo declared just over two years into the integration process. In a statement which spoke volumes about past attitudes, he continued: "Everybody keeps his word and all information is correct. We are trying to be honest and upright with the local authorities, the trade unions and our customers. It took some time to get the message across, but I think everyone has now got it."

Today, after two more years of integration, the way Electrolux and Zanussi operate has converged still further – a process helped considerably by the extent to which the Swedes have involved senior Italian executives in developing new structures and procedures for Electrolux's much-enlarged white goods "product line" (the equivalent to a division in most other companies). The very fact that 500 Zanussi managers a year are now learning English, the official language of the Electrolux group, has also improved communication immensely.

Relations have been fostered further by the fact that several Italians have been given senior international co-ordination roles within Electrolux as a whole; one of them heads the global components business, while in white goods another is responsible for pan-European marketing policy, and a third for European and US washing machine development.

But for many Zanussi managers there is still a considerable and awkward gulf, between the hierarchical attitudes and behaviour to which they were used before the takeover – and which are traditional in Italian industry – and the extreme informality which pervades the way Electrolux executives have always gone about their business.

The most obvious evidence of this is the way Rossignolo's immediate subordinates still address him deferentially as "Presidente", while Anders Scharp, the president and chief executive of the Swedish parent company, is known by his christian name within many other parts of Electrolux.

As Rossignolo himself points out, this is more than a mere matter of outward behaviour. "You can't destroy hierarchical thinking from one day to the next," he says.

Some Italian managers are experiencing considerable difficulty adjusting to the ambiguous matrix structure, which has been introduced since the Zanussi acquisition to bind it and Electrolux together and to enable them to manage a complex network of cross-frontier product flows between factories in one country and sales companies in others.

Faced with the need still to report to a (very) strong Italian white goods "country manager" while also being co-ordinated by a manager from the product line's Stockholm headquarters, the heads of several of the Italian units are finding it hard to adjust. (The thinking behind the multi-dimensional structure of Electrolux's white goods business was described in Wednesday's article, as were the innate tensions it creates in the European organisation outside Italy.)

Things are made more complicated by the fact that since the beginning of last year the Italian factory managers – 70 per cent of whose revenues come from exports – have joined their other European counterparts within Electrolux in becoming "product division managers", and gaining what is supposed to be direct control over a third dimension: the negotiation of sales volumes and transfer prices with Electrolux marketing companies throughout Europe.

This arm's length relationship is a fundamental part of the Electrolux system of breaking down its organisation into small operational units with as full responsibility as possible for their own profitability and balance sheet.

But since Italy was brought fully into this structure during last year, the result has been a tense time for everyone concerned: for the Italian product division managers themselves; for marketing and sales company managers (especially in the UK, one of the prime customers of the Italian factories, but also in Italy itself); for the country manager in Italy and his counterpart in Britain; and for central management of the white goods product line in Stockholm.

Since last autumn Stockholm has had to adjudicate several times in serious transfer price disputes, for instance between the Italian product divisions and the UK sales companies when the Italian country manager insisted that raw material cost increases could not be absorbed by his local factories. Something similar came to a head in February when the Italian sales companies resisted a new round of price rises from their local factories.

So it is not surprising that the question of how to avoid constant disputes over transfer prices is currently exercising the minds of managers throughout the white goods product line, even if Leif Johansson, who heads it, says "the issue has been blown out of all proportion; the system is working well, except in Italy."

Several Italian executives have suggested that the system should be changed, so that all transfer prices are set centrally, by Stockholm and the "Marketing Europe" co-ordination unit it established two years ago. This would require the unit, which is based in Italy under an old Zanussi hand, Sergio Pusca, to be given stronger powers – something which many Electrolux managers across Europe consider necessary for other reasons, too.

Mario Vischi, the tough Italian country manager for white goods, says "the key in this complex international organisation is to have active mechanisms in place to create – and force –, the necessary integration." (Force is a word that is rarely heard in the Electrolux culture.)

With 1992 in mind, and even today, Vischi says that Marketing Europe "needs more authority, for example clear control over the promotion of particular brands." On that point, Johansson agrees – but not with the notion of imposed authority.

One of the would-be centralisers of transfer price decisions is Aldo Sessegolo, who heads the four-brand Electrolux/Zanussi marketing arm in Italy. He complains that, because of the number of European product divisions which supply him, and the frequency of price changes, "I'm losing at least 40 per cent of my time discussing transfer prices – not just once a year but continually. This kind of organisation is only possible if the group is below a certain size."

Sessegolo also complains that giving the product division managers a degree of responsibility for marketing "is like handing a copy of Playboy to a 14-year-old – they're getting far too concerned about it, instead of paying attention to keeping down their product costs and their price to us."

But Leif Johansson holds firmly to the principle of giving division managers as direct contact as possible with market pressures. And he continues to resist exercising his authority to intervene on transfer prices, except in extreme cases. "Our greater decentralisation than competitors on internal pricing gives us a faster speed of reaction in the marketplace," he claims.

He also suspects that much of the time which people say they spend on transfer price arguments is not internal wrangling, but actually valuable debate about what he calls "real business issues": market strategy, competitors and so on.

Johansson hopes the system will settle down after it has operated in Italy for a little longer: "it's a question of maturity," he says.

He also agrees with Mario Vischi that "the tension should be released a bit" by a change in accounting procedures this autumn which will give each product division manager quarterly data on the profit which every sales company makes on products bought from that manager's factories.

Such a process already operates in the reverse direction, enabling each country manager to know what profit a division has made on a sale to the sales companies in his territory.

GIAN MARIO ROSSIGNOLO

MARIO VISCHI

SERGIO PUSCA

ALDO SESSEGOLO

Senior Zanussians: each has reacted differently to the Swedish company's openness, informality and lack of hierarchy

In Sweden and some other long-standing parts of the Electrolux group, managers' interest in the profitability of other units with which they have dealings is fostered by the consolidation of such transfer profits with their own local results. When Electrolux can settle all the international complexities involved, it plans to extend this principle to managers throughout the white goods product line.

In the meantime the transfer price debate rumbles on. Occupying a rather different position in it from Leif Johansson is Lennart Ribohn, the group's deputy managing director and chief financial officer. Ribohn, who is known to some of his colleagues as "the class monitor" (literally, "the one who keeps order"), is in favour of Stockholm placing a percentage "cap" on potential price increases, while leaving the two sides freedom to negotiate beneath it.

Ribohn denies that this would require many – if any – extra central staff, but Johansson dislikes the proposal on the grounds that "it would kill some of the businessmanship which is developing in the company," by "eroding the feeling of control which the units now have over their business." He also suspects it would tend to push all price rises right up to the level of the "cap".

Anders Scharp, Electrolux's chief executive, is well aware of all the arguments but says "it's up to Leif." Whatever happens, he is determined that any changes in the transfer price system should not slow down the company's ability to react quickly to marketplace changes. "In future, speed will become increasingly important," he says. If unit managers had to consult Stockholm, via two country managers in between, "it would slow things down tremendously."

Despite Scharp's caution, Lennart Ribohn carries considerable weight in the discussion, not just because of his central position but because he is also managing director of Electrolux's Italian holding company, and chairman co-ordinator of the Zanussi management committee.

He assumed this role, which takes him to Italy for about two days a fortnight, last autumn when the then managing director of Zanussi, Carlo Verri, who had been responsible for much of the Italian company's turnround since 1984, left to try to repeat the achievement as head of Alitalia, Italy's much-troubled state airline.

A great admirer of things Italian, Ribohn is nevertheless all too aware of the time it can take to secure agreement on anything in Italy. It took a good six months – until April – for him to get local agreement to the streamlining of the Italian central staff, and its integration as an extended arm of the corporate head office in Stockholm. "Italians are very philosophical," he says. "It's not been a Swedish or an American type of discussion, but an Italian one – and that takes time."

The same principle applies to the generally reluctant shift of Italian attitudes and behaviour towards the ambiguous lines of authority which are endemic to the structure of Electrolux's white goods product line – a structure which was wholeheartedly approved by Carlo Verri before he left.

Even if Stockholm decides, for internal reasons or because of market issues related to 1992, to respond to some of the internal pressures for greater central control – and Electrolux never leaves its organisation unchanged for long – it will still want to maintain some sort of matrix between international and national authority. Leif Johansson has a deep commitment to the principle of decentralised decision-making.

Departing from Electrolux's normal principle of studied public politeness about all things Zanussian, Anders Scharp says pointedly that the Spanish companies which Electrolux has acquired (including a part of Zanussi) "have accepted the organisation more easily." He knows that "there are still people in Zanussi who think it was wrong to sell out to Electrolux," but he says that Italian managers who still feel uncomfortable with the white goods structure "will have to become more European."

THE BIRTH OF A 'TRANSNATIONAL'

Striving for balance

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
23	24	25	26	27	28	29

OPERA AND BALLET

London

Royal Opera, Covent Garden. *Le nozze di Figaro*, in Johannes Schaaf's very successful 1987 production, returns with substantially the original cast – Thomas Allen, Claudio Desderi, Marie McLaughlin, Carol Vaness – and the original conductor, Bernard Haitink. Final performances of *Der Rosenkavalier*, with Felicity Lott, Ann Murray, Lillian Watson, and Kurt Moll in leading roles, and Jeffrey Tate as conductor.

Paris

Théâtre des Champs Elysées. Stuttgart ballet: *The Taming of the Shrew* with Marcia Haydee and Richard Cragun to John Cranko's choreography (47203637).
Théâtre de la Ville. Pina Bausch and the Wuppertal Tanztheater (42742277).
Grand Palais des Champs Elysées. Paris Opéra Ballet. *Don Quixote* in Rudolf Nureyev's choreography after Marius Petipa, to Ludwig Minkus' music; also *Swan Lake* in Rudolf Nureyev's choreography after Marius Petipa and Lev Ivanov (48787500).

Vienna

Staatsoper. *Die Tote Stadt* conducted by Heinrich Hollreiser, with Karan Armstrong, Anna Gonda, Georg Tichy; *Don Giovanni* conducted by Ivan Fischer, and sung by Edith Gruberova, Jerry Hadley, James Morris and Sona Ghazarian; *Tristan und Isolde* is conducted by Peter Schneider, with cast including Gwyneth Jones, Marjana Lipovsek, Hartmut Welker. Ballet: *Dornröschen* conducted by Peter Keuschnig (51444, ext 3318).

Milan

Teatro Alla Scala. Rimsky-Korsakov's *La Fiaba dello zar Saltan* in Luca Ronconi's production, designed by the architect Gae Aulenti. The cast includes Lucia Mazzaria, Carlo Gaifa, Josella Ligi Christine Barbaux and Nucci Condo, conducted by Gennady Rozhdestvensky (809126).

Florence

Teatro Comunale. *Der Rosenkavalier* produced by Michael Hampe and conducted by Jiri Kout (replacing the indisposed Zubin Mehta). The cast includes Anna Tomowa-Sintow, Dolores Ziegler, Cheryl Parrish and Kurt Rydl (Fri) (3779236).

Amsterdam

Muziektheater. The School of American Ballet with Balanchine's *Serenade*, *Episodes* and *Symphony in C*, and Bournonville's *Life Guards of Amager* (Mon), and Balanchine's *Square Dance*, *Waltz Fantasy* and *Symphony in C*, closing with Martins' *Les Gentilhommes* (Wed). The Vaganova Academy of Leningrad's Kirov Ballet in two Fokine and Petipa programmes (Tue, Thur).

Berlin

Theater des Westens. *Cosi fan tutte* in Götz Friedrich's production features Angela Denning, Keith Lewis and Ute Walther. Bernstein's opera *Candide* has Donald George in the title role. Also *Rigoletto*, produced by Hans Neuenfels, and the ballet *Giselle*.

Hamburg

Opera. *Ariadne auf Naxos* is a guest performance from the Dresden State Opera. The Joeffrey Ballet New York/Los Angeles appears with choreography by Paul Taylor, William Forsythe and Gerald Arpino.

Cologne

Opera. *La Clemenza di Tito* has Josef Protschka, brilliant in the title role and *Die Zauberflöte* with Eberhard Buechner, Dieter Schweikart and Elfie Hobarth. *Lohengrin* is well sung by Eberhard Buechner, Manfred Schenk, Nadine Secunde and Eva Randova.

Frankfurt

Opera. Last performance of *La Bohème* with Gyoergyi Benza Kasen Huffstodt, Keith Olsen and Ryan Schenzayder. *Cosi fan tutte* is sung by Margaret Marshall, Mitsuko Shirai and Christopher Robertson. *Rusalka* is a well done repertoire performance. Also last performance of *Dido and Aeneas*.

Stuttgart

Opera. *Der fliegende Holländer* has Wolfgang Probstrepeating his much praised performance in the title role. *La Cenerentola* has a strong cast led by Kathleen Kuhlmann, CarmenMannoser, Helmut Berger-Tuna and Joern W. Wilsing. *Die Frau ohne Schatten* brings Reinhild Runkel, Karan Armstrong. Also in repertory: *Tosca* and Offenbach's rarely played *Der Karottenkönig*.

New York

Metropolitan Opera. The 23rd season of free outdoor performances continues with *Lucia di Lammermoor* with Marilyn Mims as Lucia, Alfredo Kraus as Edgardo and Pablo Plishka as Ferrando, conducted by Edoardo Mueller. Great Lawn, Central Park (Mon).

Tokyo

Ballet Nacional de Espana. *Bolero*, *The Three Cornered Hat*, etc. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Mon).

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).
As You Like It (Old Vic). Yet more non-RSC Shakespeare, with an outstanding Rosalind from Fiona Shaw in eclectic, enjoyable Tim Albery revival. Ambitious designs (928 7616, cc 261 1821).
Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams. June 22-23, July 7-10 (928 2252).
M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).
Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Simon Gray character (836 1660).

Hamburg

The World's Theatre. The international festival from June 16 to July 9 will take place in Hamburg, as part of the town's 800th anniversary of its harbour. Organised by the Thalia Theatre with the help of the International Theatre Institut, some 34 pieces from 17 countries will be performed, among them East Germany, the Soviet Union, Sweden, South Africa, France, the USA, Britain, Germany and Italy. The idea for the festival came from former theatre director Ivan Nagel, who formed the Theatre of Nations in 1979. Richard von Weizsäcker, West German President, is chairman of this year's festival.

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral *ambitions in the 1980s, accompanied by the musical and emotional flavour of the period* (239 6200).
Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
Phantom of the Opera (Majestic). Stuffed with Maria Björnson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Into the Woods (Kennedy Center Opera House). Stephen Sondheim and James Lapine update favourite fairy tales with a contemporary plot and characteristically challenging songs. Ends July 16 (254 3770).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis DiCrescenzo as Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plautus. Ends Aug 6.
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Tokyo

Kabuki. Shimbashi Embujo Theatre. Two mixed programmes at 11am and 4.30pm, including Kikugoro and the world-famous onnagata Tamasaburo (Ends June 26) (541 2211).
Les Miserables. (Imperial Theatre) Strongly-cast revival (in Japanese) of the stirring musical *of the storming of the Paris barricades* (201 7777).

EXHIBITIONS

London

The Hayward Gallery. Art in Latin America – a rich and fascinating survey of the painting and sculpture that has come out of Central and South America since the early 19th century, which is roughly the period of the achievement of independence from the Spanish and Portuguese colonial empires. It presents an extraordinary cultural cocktail – political, anthropological and social besides purely aesthetic, with the volatile Latin sensibility set against the older and still persistent indiginous Indian cultures. Daily until August 6.
The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Yet, as always, it is different this year for the particular treats it offers for the visitor who has the determination to search them out among the general mass. In defiance of received opinion, the general standard of work is commendably high and this year better displayed than ever. Daily until August 20.

Paris

Carte Musées et Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, *including* the *Louvre*, *Musée* d'Orsay and Versailles Palace.
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 *square metres of space* created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 10pm, all days *except Tuesdays. Ends* August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
The Louvre. Michelangelo as *draughtsman*. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the National Gallery of Art in Washington. Closed Tue. Ends July 31.
Daniel Malingue Gallery. A resolutely modern exhibition with works by Max Ernst, Miro, a suite of Fernand Leger's abstract watercolours and gouaches, Nicholas de Stael's red and blue shining landscape and an orange-coloured sunset. There is an early *Picasso still life* of apples and pears reminiscent of Cézanne. 26, Ave Matignon (42666033) closed lunchtimes, Sun and Mon mornings. Ends July 8.
Galérie Odermatt-Cazeau. Masters of the 19th and 20th century. A large Bonnard – La Place de Clichy – *catches the bustle of* a Parisian street. But while the brush stroke is impressionistic, the gentle melancholy tonality of blue-greys is personal to Bonnard. Changing the mood abruptly is the exhibition's *succes à scandal* – Chagall filling up space with themes of Jewish mystique around a signature of Hitler and spine-chilling symbols of Nazi domination. There is a Monticelli, the painter venerated by Van Gogh, with a still life of a lemon in vibrating yellow against dark, near-baroque shapes, a powerful, tormented portrait of Lucien Freud by Francis Bacon, a delightful, small Cézanne with green trees; there are two Renoirs and one Picasso. 85 bis, Rue du Fbg.-Saint-Honoré (42669258). Closed Sun. Ends July 29.

Amsterdam

Bonnefanten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

Brussels

Musée d'Art Moderne. Retrospective of the Belgian abstract artist Victor Servranckx (1897-1965). Closed Mon.
Bibliotheque Royale Albert 1. An exhibit to celebrate the *library's 150th anniversary. Open* daily ends July 15.

Baden-Baden

Kunsthalle, *Lichtenthaler* Allee 8a. A retrospective of Jean Cocteau (1889-1963) to commemorate the 100th anniversary of Jean Cocteau's birth, the Kunsthalle in Baden-Baden presents the most extensive show of his work ever with around 500 exhibits. The exhibition also tries to show the different talents of the artist as poet, dramatist, essayist, painter, sculptor, actor, jazz composer, choreographer, stage setter, film and theatre producer. It is divided into film, theatre, ballet, literature and painting.

Cologne

Bilderstreit. Rheinhallen der Kölner *Messe, Messegelände*. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art." This exhibition is in contrast to avant garde: it explains areas of action and attempts to provide an unprejudiced outlook on the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show *should give* a detailed view of different art styles, with "old classics" of modern art next to works by contemporary artists. Among them are Gilbert and George, Kasimir *Malewitsch*, Blinky Palermos, Carl Andres, Edvard Munch, Markus Luepertz, photographers Bernd and Hilla Becher, Joseph Beuys and Dadaist painter Marcel Duchamp, John Baldessaris and Georg Baselitz. There are also works from William Copley's collection by *Duchamp, Man Ray, Max Ernst* and René Magritte. Ends July 2.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. 350 works from all periods of his working life and from several collections, museums, galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain how Dali's works can combine with the post-modern period, concentrates on his works from the 1930s *(surrealism). Among* them are pictures which have not been shown in public before. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.
Kunstforum. Egon Schiele und seine Zeit. A marvellous exhibition - notwithstanding the cramped space - comprising hitherto unseen works by Schiele. Also Gustav Klimt. The collection was built up since the Second Worlds War by Rudolf Leopold. Whether or not these paintings remain in the country will depend on the Austrian Chancellor's decision to buy them. Ends July 23.
Secession. An exhibition on Austrian interior design should not be missed. Some of Austria's younger generation are trying to continue the tradition of the fin-de-siècle movement. Others such as Adolf Krischanitz, who specialises in tables, has gone his own way. Ends July 16.

Rome

Villa la Farnesina, Via Della Lungara 230. Drawings from the Venetian and Lombard schools: 16th to 18th centuries. About 100 works from the National Graphics Institute's collection. Particularly interesting is the *Venetian section*, with nude studies by Tintoretto, works by Domenico Campagnola, a large group of sketches by Palma di Giovane, and two views of Rome by *Canaletto. Make* a point of seeing Rapahel's frescoeson the ground floor of the villa on the way out. Ends July 16.
Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when *Pius VIth's* long reign began, to 1799, and attempts to show how the conflicting influences of the papacy and the revolution in France affected the Roman theatre. The exhibition opens with a coloured lithograph of the Pope's triumphal procession, immediately after his election, *alongside the edict which* condemned to death the supposed author of a tasteless masque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being much preferred to classical plays or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carnival masques and later burnt, portraits of contemporary composers such as Cimarosa and Paisello, and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends Sept 30.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La Grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

New York

Whitney Museum. The 65th in the long series of Annuals and Bienniales features a large group *of lesser-known* artists among the 80 represented on three floors of galleries. Ends July 9.
Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.

Washington

National Gallery. More than 400 images are part of a massive ret*rospective of the 150* years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends *Aug 13.*

Chicago

Art Institute. Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries
Art Institute. Two years after his death, Andy Warhol *continues* to make news with his new diary; even his work retains surprising freshness amid the variety that extends far beyond familiar images like *his Marilyn* Monroe and Campbell Soup tins. Ends Aug 13.

Tokyo

Suntory Museum. Wall paintings and screens from castles and temples of the Momoyama Period (16th century). The works are *of two main types*: sumie landscape paintings and colourful paintings on a goldleaf background, both displaying a bold mixture of Chinese and *Japanese* styles. Closed Mondays.
Azabu Museum of Applied Arts. The inaugural exhibition at this brand-new museum in the fashionable Roppongi district features the fashions of the Edo period, as reflected in ukiyoe paintings: mainly of courtesans and other denizens of the "*floating world*". Closed Mondays.
Idemitsu Museum. Hoan Kosugi. An exhibition to mark the 25th anniversary of the death of one of Japan's leading contemporary painters. Kosugi's early work was influenced by Impressionism, but in later years he created a more Japanese style in sumie and watercolour. *His favourite* subjects were flowers, birds and people (Opens June 27).

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ARTS

Early music in America

Andrew Porter visits the biennial festival in Boston

Early music – which will soon, no doubt, be annexing Mahler, Strauss, Puccini to its centuries-spanning province – booms in America as elsewhere. Although New York still has no baroque or classical orchestra in regular employment, there is pool of players from which ad-hoc ensembles are drawn with some frequency. They include Stephen Hammer, a prince of baroque oboists, who also plays for Drottningholm, and Paul Hudson, who leads the Drottningholm band and has recorded the Mendelssohn concerto with the Hanover Band.

The Classical Band, directed by Trevor Pinnock, has just made its debut here, playing *Haydn, Mozart and Beethoven*. It has a five-year contract with Deutsche Grammophon, which should ensure some stability. San Francisco has its Philharmonia Baroque, directed by Nicholas McCegan. Every campus and city has smaller ensembles – medieval, renaissance, baroque, or classical. An organisation, Early Music America, has been formed because "the explosion of early music activity has forced musicians into roles requiring mainstream administrative and business-related skills."

The activity acquires a focus – and international perspective – at Boston's biennial Early Music Festival: eight early-summer days filled with concerts, recitals, master classes, public debates. Boston is a good city for this, amply provided with resonant churches on all scales and in all styles, from Romanesque to Perpendicular, which are visited by ensembles from all over the country. The festival has acquired an almost Edinburgh-like fringe to add to the official programme.

The latter this year included Monteverdi's "1631 Mass" in thanksgiving for the cessation of the plague, conjecturally *reconstructed* by Hugh Keyte and conducted by Andrew Parrott; Steffani's *Henrico Leone*, brought by the Capella Agostino Steffani from Hanover; and two concert performances of *Idomeneo*, conducted by Roger Norrington with the EMF Orchestra.

Over here, we read of Norrington's triumphant "Experience" weekends on the South Bank. Recently, in Carnegie, *with a modern orchestra*, St. Luke's, he conducted (as I reported) a wonderfully buoyant Beethoven Eighth and an *disappointing Ninth. The Idomeneo*, like the Ninth, was brisk, transparent in textures, fascinating in timbres, and of *high interest. And yet it* seemed that effects of orchestral disposition, of timbres, and of fleet tempi – not the opera itself – had become the main matter.

It all seemed rather tight, cramped, and driven. The cramping was the fault of the hall – the Tremont Temple, successor to a building in which Jenny Lind and Charles Dickens performed. (A sign at the entrance to the topmost balcony read "Please Worship on a Lower Level.") The platform sardined the performers, who needed more elbow room if they were to project into a fairly large auditorium. The tightness and tenseness came from Norrington, who has never been a relaxed and easy but always an urgent conductor, heedless of Blake's "Damn *braces, bless relaxes.*" His energy is winning, but the singers and the instrumentalists were pushed. Emotion had no chance to flower.

Anthony Rolfe Johnson withdrew from the title role, ill; Jeffrey Thomas stepped in and gave a serious, accomplished performance. Jeanne Ommerlé (Ilia) and Lisa Saffer (Electra) were accurate but undervoiced; Lorraine Hunt (Idamantes) sounded overvoiced, too "rich," as if she had Sieglinde in her sights. The edition was pure 1781 – Mozart's own abridged text, for the first time since then: much recitative and three arias gone, Arbaces in full, and also the long ballet at the end. Norrington never hesitates to go all the way. For a festival demonstration it was the right choice; maybe not for repertory use.

Newell Jenkins and his Clarion Concerts have done five Steffani operas here, but *Henry the Lion* was new to America. *It confirmed Steffani's* reputation as an engaging and resourceful composer, ingeniously blending Venetian convention (*two crossed pairs* of lovers, a poignant lamento, a supernatural evocation) with Lullian grandeur and instru*mental eloquence. Now that* Cavalli has entered the repertory, Steffani should surely follow. Glyndebourne should look at *Niobe*, which may be Steffani's masterpiece.

But perhaps *Henrico* has an even stronger claim for British revival. It was composed, in 1689, to inaugurate Ernest Augustus's showy and splendid opera house. The score is now in the British Library (since Ernest's son mounted our throne as George I); Henry the Lion's wife, Matilda (who sings the lovely lamento), was Richard II's sister. the Hanover performance, unstaged, was a shade stodgy, but the merits of the opera were apparent.

The Monteverdi Mass was done in St. Paul, a resonant church modelled on San Zeno Maggiore in Verona. It was a full "liturgical" presentation – stopping short of an actual Consecration – with the attendant awkwardness that a concert version of a sacrament brings, while singers impersonate the Celebrant and chant the Epistle and the Gospel. But it did provide a musical feast: *of ancient chant, of ceremonial* trumpets, of Monteverdi in both his austerely antique and his passionately modern manners. During this plague Mass, one thought about AIDS and wondered when thanksgiving for the abatement of a new plague, which has claimed so many of our best musicians, might be celebrated.

Other high points in Boston were two recitals given by Sequentia, the group directed by Barbara Thornton and Benjamin Bagley. Babs and Benjy have a big following, and *deserve it, for they bring medi*eval music to life most vividly. In an 1899 Perpendicular church designed by Ralph Adams Cram – America's George Gilbert Scott – Sequentia performed *planctus*, Marian laments, in a way that made me feel I had not since Callas heard soprano singing so plangent and eloquent.

Alastair Muir

Mark Baldwin in "Mythologies"

Rambert Dance

SADLER'S WELLS

It is characteristic of the Rambert Dance Company under Richard Alston's guidance, and admirably so, that the troupe and its musical ensemble should be part of the Almeida Festival. Brave journeyings into new territory, imaginative reassessments of the avant garde, which mark the *Almeida's achievements*, are now a clear sign of the Rambert image, though there remains always the necessary and perceptible link with an existing dance tradition.

For the rest of this week, Rambert is showing a group of works set to stimulating scores, by Harrison Birtwistle, Claude Vivier, Nigel Osborne, Giacinto Scelsi and Morton Subotnick. Much of the choreography is new – there is not another troupe so ready to assert the value of serious modern music for dance in Britain – and the effect is wonderfully exhilarating after the predictabilities offered both by our classical and post-modern groups.

The most successful work in the short season, which began on Wednesday night, is Ashley Page's response to Birtwistle's *Carmen Arcadiae* which dates from 1986. Against the vivid shapes of Jack Smith's setting – and be it gratefully noted that the entire evening is well designed, and admirably lit by Peter Mumford and John B Read – Page's dances form clusters and scatter them, push the logic of movement to the edge of unreason and then recapture order. It is a constantly stimulating work, secure – for all its fragmentary air – in an academic tradition.

The remaining pieces are new. From Richard Alston a realisation of Claude Vivier's Balinese-inspired *Pulau Dewata*, which he visualises as a sextet (three couples in vaguely Balinese dress seen in a midnight-blue void) where gesture curves and opens out, and a deliberate dance manner suggests a new departure for the choreographer. Most fascinating is a solo for Amanda Britton in which her arms seem to initiate sequences of choreography, and gesture finally pulls her to the ground. I want to see the piece again.

Richard Alston has also largely reworked the *Mythologies* which he made to Nigel Osborne's score three years ago. Inspired by a Tsimshian Indian myth, the dance was not originally successful. Now, purged of literalism, it shows in non-narrative form, a journey of self-exploration undertaken by the excellent Mark Baldwin, who remains a contemplative figure amid a chorus who comment in livelier fashion upon his actions.

The most difficult task of the evening probably fell to Siobhan Davies, now associated with Rambert. Giacinto Scelsi's *Okanagon* is a sonorous exercise in repetitions of the lower registers of harp, double-bass with tam-tam. The composer called it "the heart beat of the earth" and Miss Davies has made movement for six dancers that stretches and curves round the reverberant bell-notes of the score. The dance in this *Soundings* seems, fascinatingly, like the echoes and harmonies of the musical notes.

Finally the brightness of Mary Evelyn's *Calm*, not all that calm when the dance is impelled by the hard-driven energies of Morton Subotnick's score, and matched to the jolly colours of Stephen Buckley's set: a scatter of primary colours against a shifting white background. There are moments of repose in a sombre duet for Cathrine Price and Paul Old, but elsewhere the dance relies upon the ebullient energies of the gifted Rambert dancers.

The evening, like the collaborative idea behind it, is well worth-while. Praise to everyone involved, not least the musicians of the Mercury Ensemble under Roger Heaton, fine advocates for new music, just as the Rambert company speaks bravely for new dance.

Clement Crisp

Babes in Arms

NEW YORK

Babes in Arms, the 1937 musical by Richard Rodgers and Lorenz Hart, heard in a concert version at Avery Fisher Hall, Lincoln Center, on June 5, *originally opened* towards the end of what had been a rather thin Broadway season – just like the one now *coming to an end. It is safe to* say that if the present season had produced one new musical with a score as rich as this, people would not be shaking their heads over the sorry state of American musical comedy. The eleven songs include "Where or When," "I Wish I Were In Love Again," "Way Out West (on West End Avenue)," "My Funny Valentine," and "Johnny One-Note" – and those are just in the first act (the second act contains "The Lady Is a Tramp").

In those days, songs did not *have to advance the plot* – they could be introduced by the most arbitrary song-cues. "My Funny Valentine," for instance, is "justified" by the fact that Valentine is the name of the male juvenile lead. The plot of *Babes in Arms*, in any case, is flimsy enough. As the title suggests, it is about a group of mildly rebellious young people, left to fend for themselves when their vaudevillian parents go off on tour. This may be the first musical in which someone says "Come on, kids, let's put on a show of *our own," or words to that* effect, in this case, on a budget of $42.76.

There is more, not worth going into; the songs are what matter. Hart's lyrics *sometimes* express a worldly sophistication, even cynicism, at odds with the youth of the charac*ters – "When love congeals/It* soon reveals/The faint aroma of performing seals/The double-crossing of a pair of heels/I *wish I were in love again.*" But the ballads, "Where or When" and "My Funny Valentine," are among the great love-songs of our time, giving lyric expression to universal feelings.

The original cast included young players like Mitzi Green, the former child movie star, whose speciality was doing imitations of Maurice Chevalier and George Arliss, Alfred Drake, the Nicholas Brothers, and, in the chorus, Dan Dailey.

Babes in Arms was the second Rodgers and Hart show choreographed by George Bal*anchine, who was inspired by* the mention of Aida in the lyrics of "Johnny One-Note" to create a comic Egyptian ballet, probably also drawing on his depressing experiences as choreographer of the Metropolitan Opera. For the second act he made a "dream ballet," another first, and something that was to become – after Oklahoma! at any rate – an essential ingredient of any Broadway musical.

The film made by MGM in 1939, starring Judy Garland and Mickey Rooney, omitted, *with typical Hollywood perver*sity, all but two of the Rodgers and Hart songs. The recent concert version was the first performance since the end of the Broadway run of the score in its original orchestrations by Hans Spialek, almost complete – it included his arrangement for the "dream ballet," but not the Egyptian one, and one song was omitted: "All Dark People," originally sung *and danced by the Nicholas* Brothers, was considered unsuitable, for reasons one can only guess at.

Evans Haile *conducted* members of the New Jersey Symphony Orchestra, taking a turn at the piano now and then to provide the duo piano sound so characteristic of Broadway orchestration in the thirties. His revival of this great score was a further addition to our knowledge of the classic American musical. The exploration of this repertory would not be possible without the existence *of a number of remarkably tal*ented young singers who specialise in this material.

Several of them were in *Babes in Arms*, notably Judy Kaye, Jason Graee, Gregg Edelman, and especially Judy Blazer, who lived up to her name with a brilliant performance of "The Lady Is a Tramp," and found the right rueful tenderness for "My Funny Valentine." One must, however, make the *usual com*plaint about the too-strident amplification, which renders some lyrics incomprehensible *and makes interpretive sub*tlety almost impossible.

David Vaughan

The Task

GATE, NOTTING HILL

The French Revolution provides the backdrop for Heiner Müller's passionate indictment of racial and economic *imperialism, but the anthem* that is just audible beneath the drumming at the start is American and the final gruesome photo-projection of a bloodied head nestles beneath the headline "Beijing's people defiant amid a burning city". Like all good political theatre one need look no further than the here and now for evidence of the phenomena that are so starkly realised on stage; yet, like the here and now, Müller does not provide easy answers.

Watching the work of this remarkable East German writer, a former writer-in-residence with the Berliner Ensemble, points up the frustrations of much new English theatre: its enslavement to text and to a humanist miniaturism. Müller, in contrast, paints with a broad brush, allowing his images to run rampant within a structure that appears infinitely accommodating. One moment we are in Jamaica, watching the betrayal of its *slaves; the next we are swept* off into an anxious monologue by a contemporary office worker trapped in a lift on the way to satisfy "the boss."

The "task" of the title is an unfinished bit of revolutionary business destined always to remain unfinished in a world that either buys off or beheads its revolutionaries. What price Liberty, Fraternity, Equality, demands Müller, when Liberty is a whore who pays court to the ruling classes, Fraternity is the relationship of master to slave and Equality appoints a peasant from Brittany to run the affairs of empire. Robespierre and Danton are paraded and scorned as two monstrous heads all too easily knocked off by the fancy new tool of revolution – the guillotine; the one female cast member (Niki Johnson) primps and pouts as the First Love of the revolutionary – one minute that love is lustful Liberty, the next the enfolding family, and the third seductive treason, offering her services to the effete aristocracy.

Robert Rae directs this well designed and performed debut production for Theatre of Resistance, a collective backed by Red Shift and the Gate. Mike Packer, standing in at *short* notice as the peasant Galloudec, does sterling work alongside the sneering aristo of Robin Brooks and the confused, abused and finally rebellious slave of Carlton Chance.

Alastair Muir

Niki Johnson, Carlton Chance and Mike Packer

Claire Armitstead

The Piggy Bank

DERBY PLAYHOUSE

C.P.Taylor based *The Piggy Bank* on Eugene Labiche's *La Cagnotte*, which means "the kitty." The eponymous bank stands on the whist-table at Champbourcy's house. Champbourcy (Bernard Lloyd) is playing with Colladin (Robert Austin), a pig farmer, and Cordenbois (Barry McCarthy), a pharmacist, while his daughter Blanche plays Mozart to his unmarried sister Léonide, and Colladin's rustic son Félix makes rustic love to her.

The moment has come to *break open the piggy-bank* they have been feeding with loose change. There is a matter of 643 francs, enough wealth in those Second Empire days to promise a day out for all of them. Colladin suggests Crecy fair, but the rest, for different reasons, choose Paris, and Colladin accepts Paris if he can take his pig William.

And there they all are, Colladin with his little pig William, ably created by *Steven* Richardson, under his arm, duly dropping dirt on the floor before being relegated to the stables. They order lunch and embark on their various missions. At lunchtime only Colladin and the women are back for the meal; the others have had troubles. Moreover, Blanche and the waiter, who is also a novelist and a count, are in love.

Champbourcy has bought corsets to go under his municipal uniforms, and they are too tight; Cordenbois wanted his hair cut for a meeting with a marriage broker and has had a skinhead job. Félix is away looking for a hotel where he can rent a room for an hour and take Blanche. Blanche and her aunt have been buying jewellery and clothes.

But when the lunch bill is presented, they refuse to pay, not having eaten the food they ordered, and we go deeper into classic French vaudeville, with the police summoned and the whole lot arrested. From here on life moves into the usual farcical routines that I need not report in detail. They escape from arrest, and find their way to the premises of *Cocarel the marriage-broker*, where the police superintendent is also doing business, and there are other respectable women in search of husbands.

Every kind of confrontation ensues, the super arrests Champbourcy and Colladin, but with the inalienable logic of French farce the party ends up at the station, unable to afford return tickets. Félix, who has been absent from the recent troubles, arrives loaded with money and new clothes, having met a lady as rich as she was amorous, and we see the prospect of a double marriage, Félix with Blanche, and Cordenbois with Léonide.

Labiche lacked the practical good sense of Feydeau, and *The Piggy Bank* is a sequence of comic events but little more. Taylor has not made the characters any more subtle than Labiche did. The evening's best playing is in the smaller parts, notably by the inventive David Westhead in a great double as common Félix and camp Cocarel. Katharine Rogers's Blanche is the best of the Champbourcy party to suggest subtility – part intellectual, part romantic. Ric Morgan as the super put some extra zing *into the scenes chez* Cocarel. There is a clever set by Ruari Murchison with the required multiplicity of doors, though director Susan Todd does not always make ideal use of them.

B.A. Young

ARTS GUIDE

June 23-29

MUSIC

London

London Bach Orchestra, with the English Baroque Singers. Nicholas Kraemer (harpsichord), Christopher Gillet (tenor). Purcell, Bach, Tippett. Queen Elizabeth Hall (928 8800) (Fri).

English Chamber Orchestra, conducted by Heinz Holliger (oboe), with Ursula Holliger (harp), and José-Luis Garcia (violin). Haydn, Spohr, Martinu, Martin. (Sat) Barbican Hall (638 8891).

Royal Philharmonic Orchestra, conducted by André Previn with Krystian Zimerman (piano). Beethoven. Royal Festival Hall (928 8800) (Sun).

Royal Philharmonic Orchestra, conducted by André Previn, with Vladimir Ashkenazy (piano). Beethoven. Royal Festival Hall (928 8800) (Tue).

London Symphony Orchestra, conducted by Mstislav Rostropovich. Mussorgsky, Shostakovich. Barbican (638 8891) (Thurs).

Paris

Christa Ludwig recital, with Charles Spencer (piano) (Mon) Théâtre de L'Athénée (47426727).

Orchestre National de L'Ile de France conducted by Jacques Mercier. Saint-Saens. Saint-Denis Basilica (Tue) (42433097).

Orchestre de Paris conducted by Claus Peter Flor, with Michel Beroff (piano). Rossini, Strauss, Dvorak (Wed) *Salle Pleyel* (45630796).

Jose Carreras with Lorenzo Bavaj (piano). Tosti, Turina, Falla, Massenet. Théâtre des Champs Elysées (Thur) (47203637).

Brussels

Brussels Festival Orchestra conducted by Robert Janssens with Paul Danblon narrator. Prokofiev, Beethoven, Cirque Royal (Sat) and Cercle Royal Gaulois (Mon).

European Communities Orchestra and Choir conducted by Jean Jakus with Isabelle Kabatu (soprano) Lieve Jansen (mezzo) Jan Caals (tenor). Mozart, Stamitz and Vivaldi. Eglise Notre Dame du Sablon (Wed).

Vienna

Wiener Symphoniker conducted by George Prêtre. Mahler. Konzerthaus (Sun).

Wiener Symphoniker conducted by George Prêtre. Mozart, Poulenc, Ravel, Stravinsky. Konzerthaus (Wed, Thur).

Rome

Orchestre National de France, as part of the French Academy-Roma Europa Festival, opens with Pierre Boulez conducting. Vares, Schoenberg, Webern and Stravinsky. Villa Medici (Thur) (667611/4744776/6544501).

Florence

Carlo Maria Giulini conducting Brahms. (Wed) Teatro Comunale (277236).

Amsterdam

Melvyn Tan (piano). Schubert (Tue) Concertgebouw.

Radio Philharmonic with choirs and soloists conducted by Edo de Waart. Wagner's *Götterdämmerung*.

London Classical Players under Roger Norrington, with Melvyn Tan (piano). Schubert, Chopin, Mendelssohn (Thur) (718 345).

Washington

Mostly Mozart, a five-day preview gives highlights of this year's month long festival in New York, with Beethoven and Bach as well as Mozart performed by the Festival Orchestra conducted by Gerard Schwarz. Kennedy Center, Concert Hall (254 3776).

Chicago

Ravinia Festival. The summer home of the Chicago Symphony opens the season with the Arditti Quartet performing Conlon Nancarrow, Gyorgy Kurtag and Elliott Carter (Mon) followed by Bartok, Schoenberg and Berg (Tue). Pianist Ruth Laredo gives a recital of Scriabin, Rachmaninov and Prokofiev (Thur). Highland Park (728 4642).

Tokyo

Malcolm Bilson (fortepiano), Anner Bylsma (cello). Beethoven: complete works for cello and fortepiano. Tokyo Bunka Kaikan, Recital Hall (Mon, Thur) (470 2727).

Elena Obraztsova (mezzo), with the New Japan Philharmonic Orchestra. Massenet, Saint-Saens, Glinka, Rimsky Korsakov, Tchaikovsky. Suntory Hall (Wed) (505 1010).

Peter Dvorsky (tenor), with Ludovit Marcinger (piano). Smetana, Dvorak, Tchaikovsky, Massenet, Puccini, Verdi. Suntory Hall (Wed) (235 1861).

SALEROOM

Japan scoops Crown Jewels

There was high excitement in the London salerooms yesterday with both Sotheby's and Christie's disposing of rare, exotic, objects. Sotheby's appealed to the popular taste, offering in its Jewels for the Collector auction a replica of the Crown Jewels – in gilt metal and paste.

Here they all are – the Prince of Wales Crown; the Great Sword of State; the Queen's Sceptre; the lot. And they will soon be on their way to Japan, having being bought by Miki Moto, the Japanese jewellery company, best known for its pearls, for £29,700, around twice the estimate.

Christie's was offering a much more erudite object – an orrery clock made by Jacques Castel in Paris in 1763. It was sold for £550,000, an auction record for a French clock. An orrery clock indicates the rough position of the sun, moon and planets relative to the earth, and this example is unusually accurate.

The price is a tribute to its owner, who bought it at the Mentmore Towers auction in 1977 for £40,000. There it had been dated to 1779 and the contribution of Castel, a distinguished scientist and "secrétaire du Roi," was unknown. But a thorough examination produced new information which considerably added to its importance and value.

The Christie's sale of French furniture produced a robust total of £3,360,775, with only 8 per cent unsold. Another Mentmore object, a pair of Venetian giltwood thrones of around 1700, removed from the Doge's Palace, which made £7,500 in 1977 realised £49,500 yesterday. In 1848 Christie's sold them at the Stowe House sale for £7.10s to the dealer Nathan, who passed them on to Baron Mayer Amschel de Rothschild to help furnish Mentmore. Chairs from the same set are in the Wallace Collection.

Lady Ravensdale sold a Louis XIV ebony and Boulle commode, attributed to the workshop of the master, for £275,000, within estimate, while a Louis XVI ormolu mounted bureau supplied by Riesener in 1784 for Pigrais, an official at Versailles, made £154,000, double its estimate. A Louis XV Gobelins tapestry depicting a scene from Don Quixote and woven by Cozette around 1714, was on target at £143,000.

The jewels at Sotheby's totalled £1,633,830, with 15 per cent unsold, while a book sale contributed £914,375 and 13 per cent bought in. Its top price was the £165,000 paid for a copy of John Gould's "The Birds of Australia," in the original 36 parts with 651 hand coloured lithographed plates.

Antony Thorncroft

FINANCIAL TIMES

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Friday June 23 1989

Isolation in Madrid

NOBODY CAN doubt the tenacity and single-mindedness of Mrs Margaret Thatcher. She is a conviction politician, but the second noun in that description has always proved as important as the first. In the past she has been prepared to compromise when necessary, in the dispute over the "modernisation" of short-range nuclear weapons in Europe, for example.

Rarely in more than ten years in power can she have experienced a greater conflict between her fundamental convictions and her political instincts than she will at the Madrid Summit of the European Community next week. The central issues for discussion at the summit will be economic and monetary union, and the draft social charter. For Mrs Thatcher, the only question is which of the two proposals is more unspeakable, but in the agenda and in importance it is the former that comes first.

After forty years of experience it should be burnt into the consciousness of a British Prime Minister that she may slow down an evolution on which all other members of the EC are resolved; she may influence its form; but she will not stop it. It is true that in this case obdurate resistance can make it difficult for the others to proceed (since an amendment of the treaty will be required), but they can – and ultimately will – find a way around British opposition. The only issues are how moves towards monetary union will occur and whether they will happen with the UK or without it.

EMS membership

If the UK were to commit itself to full membership of the EMS not too far in the future, the form and timing of economic and monetary union should be open to negotiation. Mrs Thatcher could then argue persuasively that there are elements in the proposals – notably the attempt to impose tight control over the fiscal policies of member countries – that are at best unnecessary and at worst dangerous. What is more, she would find strong support for modifications of key aspects of present proposals, as is clear from remarks made yesterday by none other than Mr Karl Otto Pöhl, president of the Bundesbank.

Meanwhile, the domestic arguments for commitment to full membership of the EMS have become overwhelming. There is no prospect of reconstructing a consistent monetarism, however much the Prime Minister may pray for it. Meanwhile Mr Lawson's commitment to exchange rate stability, unsupported by the Prime Minister, is widely doubted in financial markets. In short, the Government's monetary policy has become an unguided missile, with results among the worst in Europe.

Lost opportunity

The time for membership was probably ripest in 1985/86, but this was far from obvious at the time. That opportunity having been lost, now would be quite as ripe as any time one is likely to see. It is when the pound is under downward pressure that full membership should help to lower inflation. There is no need to wait until inflation is down, which is like saying that one should only put up an umbrella once the rain has stopped.

The best course would be to join on a wide band now, leaving open the possibility of subsequent adjustments if necessary. But, if delay there must be, let the Prime Minister commit sterling to entry by the end of 1990. By then it will be evident that the abolition of almost all exchange controls in June 1990 has not caused the collapse of the EMS anticipated by some of her advisers.

The Prime Minister's position on the EMS, both intellectual and political, has become very peculiar. It is opposed by all who matter in her Cabinet. What is more, from the European elections one can see that few of her countrymen are concerned about the sovereignty she is so anxious to defend. If resist she must, let that resistance be to the social charter, which is hardly essential and in certain respects far from desirable. Over European monetary co-operation Mrs Thatcher is now defending the indefensible and, without compromise, she will find herself enduring the unendurable: total isolation on a vital matter among the group of countries that holds the key to the UK's future.

The teaching of English

ONE OF THE main planks in Britain's new national curriculum was nailed into place yesterday when Mr Kenneth Baker, the Education Secretary, published proposals for English study in junior and secondary schools. Mr Baker accepted without reservation the recommendations of his English working party, which was chaired by Professor Brian Cox, the former critic of progressive education. The Cox report adopts a middle-of-the-road postion: it urges rigour in English teaching, but rules out the reintroduction of formal grammar lessons.

Mr Baker's proposals coincide with a fresh outbreak of concern about declining standards. This week, BP, one of Britain's largest graduate recruiters, complained that graduates are frequently unable to write unambiguously or concisely. It has to send many new recruits on report writing courses. The educational press recently ran stories about illiteracy at Oxford. Some dons are arguing that undergraduates' poor grasp of English is undermining their attempts to present clear arguments.

Grammar lessons

Such anecdotes prove nothing. But one has the suspicion that similar complaints are not heard in, say, West Germany or Japan. At some point in the 1960s, English teachers began to pay less attention to the language demands children would face in adult life and put more emphasis on goals such as "personal growth" and "cultural analysis." Formal grammar lessons also fell out of favour. The result is that many adults do not know how to write standard English.

Mr Baker says his proposals will be a milestone in levering up standards. It is hard to share his confidence. The Cox report is not a revolutionary document. It does not analyse what is wrong with present teaching practice and then outline a clear programme of reform. On the contrary, the implicit assumption is that schools are doing rather well already. The report is highly academic in tone and relatively insensitive to the needs of the wider world beyond the school gates. Reading it, one has the sense of intruding on a private jargon-laden conversation between educationalists.

The report is scornful of traditional grammar lessons, arguing that grammatical drills and sentence parsing are now recognised to be "mostly mechanical and uninteresting." But it offers nothing convincing in their place. The sophisticated discussions of linguistic structure it advocates are unlikely to help children construct sentences and paragraphs. It is as though a maths teacher were to argue that children could understand quadratic equations simply by contemplating them rather than by working through concrete examples.

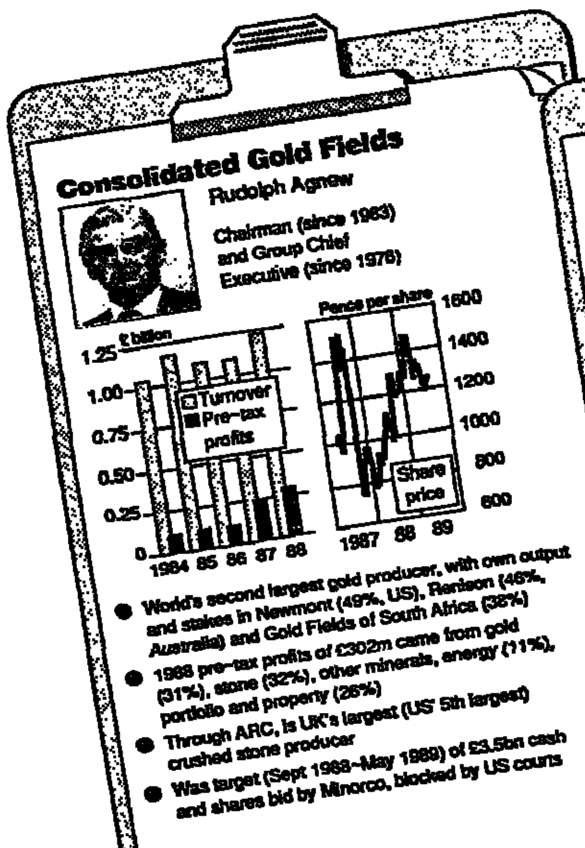
Dialects championed

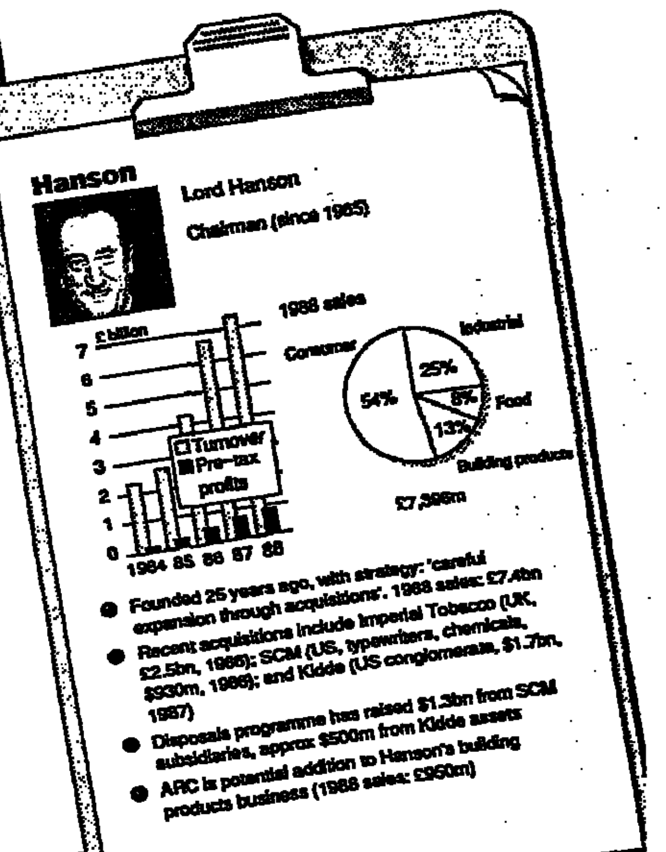
Much of the report can be summed up by the phrase "the pupil is always right." Dialects other than standard English are doggedly defended. "It can only be confusing to a pupil," says the working party, "if features of dialect are 'corrected' at the same time and in the same way as, for example, spelling errors." The approach recommended is a democratic discussion of when non-standard English is not appropriate. Children who do not speak standard English will not be expected to begin to write it until the age of 11 at the earliest. Yet this could have the perverse effect of magnifying the differences between children from different backgrounds.

The report also seems anxious that English lessons should cover the maximum possible ground. The curriculum includes peripheral activities such as media studies and information technology. The traditional essay, it reckons, is much overrated. Children should "increasingly make their own decisions about their writing." One is almost surprised that pupils are not invited to invent their own grammars.

This accent on personal freedom is attractive in its way. School ought to be fun. But the risk is surely that this kind of curriculum will produce another generation of linguistic cripples.

Kenneth Gooding and Nikki Tait on the bid for Consolidated Gold Fields





Hanson is back, and going for gold

It is 19 months since Hanson, Britain's pre-eminent corporate acquisitor, last made a takeover. Any thoughts, however, that this lengthy abstinence indicated permanent loss of appetite – or preparation for a spectacular self-liquidation before Lord Hanson and his partner Sir Gordon White reach retirement – were dispelled yesterday by Britain's largest cash bid.

Hanson's £3.2bn all-cash offer for Consolidated Gold Fields, the world's second-largest gold group, is almost Britain's biggest bid of any sort. It is outstripped only by the recent £3.5bn cash-and-shares offer for Gold Fields by Minorco, an offshoot of the Oppenheimer family's South African mining empire. The failure of that offer, in May this year, provides the springboard for Hanson's attempt.

Talk of Hanson's interest in Gold Fields has circulated for years. The reasons are straightforward. On the one hand, Gold Fields offers clean break-up possibilities. It includes clearly-defined stakes in three associated mining companies, and a wholly-owned US mining operation called Gold Fields Mining Corporation. The role of dealer in corporate assets, after all, is where Hanson's reputation has been built.

On the other hand, Gold Fields also owns ARC and ARC America, two unglamorous but profitable aggregates businesses. Hanson has shown something of a penchant for the building materials industry – mature, cash-generative operations with a strong market position. It already owns London Brick and Butterley Brick in the UK, plus parts of Kaiser Cement and some building products and lighting interests in the US, the results of previous acquisitions.

The timing of Hanson's bid for Gold Fields suggests it has lost none of its takeover skills. The nine-month battle between Minorco and Gold Fields has established exactly what the regulatory hurdles are, and given a good guide to the price that will bring victory. In the closing stages of the Minorco battle, 54.8 per cent of Gold Fields shares were assented to an offer of £15.50 a share (with only £11.25 in cash), before the bid was frustrated by legal action in the US.

Hanson shareholders may find the group's reassertion of its takeover appetite reassuring. Certainly, over the past couple of years, there have been times when the Hanson legend, if not exactly tarnished, has lost a little of its glitter.

The problem has partly been one of size. As a deal-maker, the company has needed increasingly meaty acquisitions to maintain its momentum. After the extremely successful purchases of SCM and Imperial Group in January and April of 1986 respectively, Hanson went on to buy Kidde, a highly diversified US conglomerate, for $1.7bn in 1987. The agreed deal was announced in August but only completed the following November, after the stock market crash. Hanson faced the aftermath of the crash with significant (though far from excessive) gearing, and some commentators suggested that it might have overpaid for Kidde.

In the event, Kidde has proved a perfectly respectable deal, if somewhat less exciting in terms of the speed and size of payback than that achieved with SCM. But these combined factors, coupled with a declining enthusiasm for conglomerates generally, led the Hanson share price to underperform the stock market in 1987. It did little more than bump along in line with the average between the crash and last August.

Since then, however, matters have looked up. This is partly due to Hanson's disposals over the past year and a half. Sales have included HP Foods, Ross Young, Kidde Fire Protection, and most recently, the proposed flotation of a majority stake in Smith Corona, the typewriter manufacturer. The effect has been to turn the group from modestly geared debt to net cash resources approaching £2bn. Approved corporate borrowing powers give Hanson access to sums many times that. But the company has frequently said that it saw few attractive takeover targets in what it characterised as a seller's market.

Does the Gold Fields deal suggest that Hanson has now changed its mind, and switched from selling to buying? One analyst pointed out yesterday that if high interest rates were to fall away towards the end of this year or the early part of 1990, Hanson would need to find some replacement for a substantial part of the group's earnings. The move from interest income to trading income may be timely.

Many analysts appear to feel that the offer also contains a good bit of opportunism. "I never did put too much weight on those statements about a seller's market," says one analyst. "What they meant, was that companies were generally overvalued, but there are always areas and situations which are undervalued."

Hanson is as cagey as ever over what might be sold and what, if anything, retained, if its bid for Gold Fields succeeds. "We will examine each of the businesses with the managers concerned," says Mr Martin Taylor, deputy chairman.

Analysts, however, believe that Hanson would retain the ARC operations, and would aim to sell the rest for as much as possible. Mr Mark Wellesely-Wood, head of the mining team at Kleinwort Benson Securities, reckons Hanson could raise £2.8bn from the sale of Gold Fields' other assets, giving it ARC at an effective price of £1.1bn. That would be a good deal, since he estimates ARC's true value as at least £1.5bn.

ARC, already making a 22 per cent return on capital, is considered to be a well-managed business. But the "Hansonisation" treatment would be bound to improve its profitability, said Mr Wellesley-Wood.

The break-up arithmetic is simple. Gold Fields has three quoted associates; their value is therefore easy to assess. The 49 per cent shareholding in Newmont Mining, the US's biggest gold producer, could probably fetch nearly £1bn. The 38 per cent stake in Gold Fields of South Africa is reckoned to be worth about £300m; the 46 per cent interest in Renison Consolidated of Australia should bring in more than £260m.

The nine-month battle with Minorco established the regulatory hurdles and gave a good guide to the price of victory

Buyers would not be hard to find: during its bid for Gold Fields, Minorco told the US courts it had potential acquirers lined up for all these interests and could dispose of them within six months.

ARC aside, the other major Gold Fields' asset is the wholly owned Gold Fields Mining Corporation. Analysts put a price tag of about £1bn on this. Minorco itself would certainly be in the queue of potential buyers if GFMC is put up for sale.

GFMC is probably Gold Fields' most successful division. In the past few years it has grown from being the operator of a small gold mine in New Mexico to a major gold mining operation with two substantial and very low cost mines in Nevada and California. It is expected to produce about 400,000 ounces of gold this year at a cash cost of $111 an ounce. Along with ARC, GFMC was one of two Gold Fields' assets Minorco intended to keep if its bid had succeeded.

Even if Minorco ends up with GFMC, after a successful Hanson bid, the result will be very much a second-best outcome for it. One reason would be the loss of ARC and its strong cash flow. Another is the strategic reasons behind its bid for Gold Fields. This was widely seen as an attempt by Mr Harry Oppenheimer and his Anglo American group to build up a substantial business outside South Africa. As a first step, new management was put into Minorco, previously a sleepy investment company. This team – headed by Sir Michael Edwardes, a South African who is one of Britain's best known industrialists – intends to employ an aggressive, hands-on approach to management of its assets.

Minorco intends to become one of the world's main natural resources groups, concentrating primarily on precious metals and related businesses over which it has firm control and complete access to cash flow. Gold Fields, in which Minorco had a 29 per cent stake, was Minorco's main asset – but one where the management kept the South Africans firmly at arm's length. Minorco's bid for Gold Fields was the first overt indication that the new team meant business.

Minorco subsequently instituted a reorganisation at Charter Consolidated, its 38 per cent-owned UK industrial holding company, but because of the Gold Fields bid has not had time so far to turn much attention to its other assets. These include 30 per cent of Engelhard, the US precious metals marketing and refining group, 56 per cent of Inspiration Resources, a north American copper mining company and 48 per cent of Adobe Resources, an oil and gas concern.

Some analysts suggest that Mr Oppenheimer's strategy has been put back many years by Minorco's failure to win Gold Fields and the sale of its stake in the UK company to Hanson.

Although Minorco would emerge with a profit of about £400m on its Gold Fields' shares, and collect about £1bn in cash to add to its existing hoard of £1.3bn, it will not gain credibility until it proves it can put together a major natural resources group. "The only natural resource they've managed to find in the past ten years is money," says one critic.

Mr Roger Phillimore, Minorco's commercial director and Mr Oppenheimer's godson, sees things differently. "The world is our oyster. We will look for good assets around the world," he says.

But even Mr Phillimore admits that one of the key elements in the Minorco strategy will now take much more time to implement. If the bid for Gold Fields had been successful, Minorco would have widened its shareholder base and reduced the combined 60 per cent shareholding of Anglo and its sister company, De Beers, below 50 per cent.

Minorco shares have been trading at a 40 per cent discount on asset value so the company at the current price is constrained from issuing or placing more shares to achieve the desired effect. However, Mr Phillimore points out that the discount is narrowing because of the Hanson bid and because Minorco is much better known as a result of the Gold Fields battle.

That battle was the biggest and among the most bitter and complex ever seen in the UK. Gold Fields won on a technicality but the celebrations when Minorco admitted defeat a month ago were muted. As Mr Gerry Grimstone, of J Henry Schroder Wagg, Gold Fields' advisers said at the time: "It is only the end of Act One."

So there was almost a sense of relief at Gold Fields' headquarters in St James's, London, yesterday when news of the Hanson bid became public.

The Minorco bid from the outset raised passions. It was surrounded by allegations of insider trading, and complicated by political questions such as whether South African groups should control important UK companies and whether Anglo was attempting to form some kind of gold producers' cartel. Gold Fields will fight the new bid on only one front – price.

Many analysts suggested that the offer price of £14.30 a share was nearly enough, and that a small "sweetener" would win over the Gold Fields directors. "The market is indicating that £14.50 is about the right price, and after nearly nine months most Gold Fields shareholders are bored with the bid and would rush to accept," suggested Kleinwort's Mr Wellesley-Wood.

The tone of Gold Fields' immediate response to Hanson is remarkably conciliatory and suggests that the board wants, if at all possible, to work out agreed terms.

Mr Rudolph Agnew, the target's chairman, says: "I intend to meet Lord Hanson to impress upon him the true worth of Gold Fields."

At that meeting, however, Lord Hanson will be left in no doubt that, scarred as it is from the battle with Minorco, Gold Fields is ready to fight again to get what it feels is the right price.

OBSERVER

Notes from Madrid

■ This being Spain, preparations for the European Council which begins on Monday are far from visibly complete. Madrid is so far devoid of the usual preliminaries to great pomp and ceremony, except for round-the-clock work on a European village. A sign at the Irish cabin tries to explain the sport of hurling in 20 words. The West Germans proclaim: "Alemania is a country of forests," but do not mention that some of them are dying. Britain claims to be "a country for all seasons," which will not convince the Spanish. The French stand is empty because its exhibits have been held up by customs at Madrid airport.

The last time Mrs Thatcher visited Madrid she stayed with the British Ambassador and is said to have suggested that he get a bigger house. This time she is staying at the Ritz, owned by Trust House Forte, where her team has taken a whole floor. Chancellor Kohl of West Germany is staying at the same hotel, but two floors up. It is thought that they might meet in the lift. Spanish lifts have a mind of their own and can be very slow. Being on a lower floor, British officials say that the Prime Minister will be able to get in and out of the place faster than the German Chancellor. The temperature is expected to be around 40 deg C.

Suitable site

■ When Sir George Blunden, the deputy governor of the Bank of England, made his pitch last week for London to be chosen as the site for a future European central bank, he dwelt on the City's natural qualifications as a major financial centre.

What he omitted to mention is that the City even has accommodation for it in the form of the Bank's own site at New Change. This substantial office building, at the east end of St Paul's Cathedral and opposite the old Financial Times, was vacated by the Bank's Registrar's Department last year (it moved to Gloucester) and is currently being refurbished for letting.

Although the Bank has made tentative arrangements for it to be tenanted, "nothing has yet been taken to the point where it cannot be undone," according to its spokesman. In short, it would be ideal.

Whatever happens to it, New Change is one of the Bank's major assets. Occupying an entire City block with a frontage on Cheapside as well, it already has such well-known tenants as the Poulbot restaurant, the Body Shop and several clearing banks. The ECB would be in good company.

End of an age

■ This perhaps is the end of civilisation as we have known it. The practice of orderly queuing for the "drain" – the non-stop underground line between Waterloo Station and the Bank – is breaking down. For decades there has been an unspoken agreement that, however large the crowd, passengers chose their queue and stuck to it. Each queue starts at a point on the platform where a carriage door will open to let passengers in. Sometimes the queues stretch almost into the station. It was totally beyond the bounds of convention to switch to another queue that looked shorter or was moving faster.

Not any more. Passengers are reported to be darting for the doors in a way that would have been unthinkable only a few years ago. And it is no excuse that some of those seen offending the other day were women.

"Eat up all your carrots or you won't light up in the dark."

Common Lord

■ There is a common assumption that Lord's, where the second test match might just about stretch into tomorrow, has some kind of aristocratic background. Not so. The ground has nothing to do with the House of Lords. It is named after a Roman Catholic, yeoman Yorkshireman called Thomas Lord, whose family lost its land for supporting the 1745 Jacobite rebellion and for opposing parliament.

Lord fled south to Norfolk, then to London, where cricket was fashionable enough by the 1780s to support numerous clubs. He earned a living by working as a general helper and groundsman at one of these, the White Conduit Club, which played on Islington Fields.

Lord leased Dorset Square for the club in 1787 and enclosed it as a cricket ground. In good Catholic style, he became a wine merchant and was soon supplying the King and Court. Dorset Square earned money from pigeon shooting, athletics, even a balloon ascent, as well as cricket.

In 1811 the rent rose. Lord dug up the turf and took it a bit further north to make a new ground. In 1813 the Regent's Canal was constructed right through the playing field. Lord dug up his turf for the last time and made his third cricket ground in St John's Wood Road, where it stands today.

Over to Delors

■ Although not once mentioned by name, Jacques Delors was widely seen as one of the the chief targets of Margaret Thatcher's controversial Bruges speech outlining her vision of Europe last September. It is therefore appropriate that the equivalent speech at the Royal College of Europe this autumn will be given by the European Commission's president.

It is not quite the right of reply. Professor Jerzy Lukaszewski, the college rector, says Delors was in any case an obvious choice given the new Commission team installed in Brussels at the beginning of the year. But he admits he felt that "it was only fair to ask him," given the sharp criticisms he was subjected to by the British leader. Like Thatcher, Delors will be marking the beginning of the academic year.

Free speech

■ A senior diplomat from the Soviet Embassy in London turned up at Chatham House to hear Dr Andrei Sakharov denounce the continuing lack of democracy even in Mikhail Gorbachev's Soviet Union. Asked what he thought of the speech, the diplomat shrugged: "Ours is a free country," he said. "Anyone can say what they like."

POLITICS TODAY

An African trap for Thatcher

By Joe Rogaly

Mrs Margaret Thatcher has been proved wrong about the British electorate's attitude to Europe. Her own John Bull nationalism is wrong for Britain. She is likely to be proved wrong about disarmament, and particularly about short-range nuclear missiles. Will she also turn out to have been wrong about South Africa? Possibly, but not certainly.

The reason that I cannot offer a simple yes or no answer lies in the nature of the role that Britain's Prime Minister has adopted. If you regard the US, with its relatively stringent sanctions, as the heavy interrogator, then Mrs Thatcher, with her strong line against punitive sanctions, is the other cop – the one that offers a cigarette. She is mistrusted by the majority of politically articulate Africans, and particularly by the African National Congress, for precisely that reason. The Foreign Office doesn't think all that much of her, either. It is she who is widely regarded inside the republic as the white population's best friend in the West; it is President Bush who is even now receiving a stream of black campaigners, from Archbishop Tutu to Mrs Albertina Sisulu, in the White House.

The utility of this role depends upon what happens next. Mrs Thatcher could fall into one of history's traps. She could find herself playing the role of appeaser of the National Party Government as it fights a rearguard campaign to retain as much white power as possible for as long as possible. That would be a mistake. The accompanying graph shows where the future lies more clearly than could any words of mine. If Britain becomes too closely identified with the maintenance of white power it will have alienated non-white opinion in a country that is destined for *non-racial* – that is black – government. In that circumstance Mrs Thatcher would be regarded as the Prime Minister who chose the losing side in South Africa as in several of her other forays into foreign policy.

There is another way of looking at it. Mrs Thatcher is famous for her practicality, her belief in getting things done. She therefore prefers to deal with those who have the power to change things. That means talking to the white South African Government and business leaders. This requires tact and diplomacy, characteristics not always ascribed to her, but which she does manage to display in her dealings with the republic. She has used this to press, in private, for the release of some political prisoners, and to help save others from the gallows. Her officials have encouraged British businesses to stay in the republic – but also urged that they take part in social responsibility and black advancement programmes, as many of them do. She regards getting South Africa right as a long haul, which will take many years of step-by-step advance. What she has avoided is what her supporters would call gesture politics.

It is therefore likely that she will be at her least bombastic when she meets Mr F.W. de Klerk, the leader of the republic's National Party, today. I suspect that she harbours modest hopes that her visitor could turn out to be the Afrikaner Gorbachev who restructures his country.

The trouble is that the odds are against such a happy outcome. Mr de Klerk's principal known merit is that he is not the dour Mr P.W. Botha, who is refusing to relinquish the office of President until after September's white elections. Like Mr Botha, Mr de Klerk is a conservative who has promised reform. Yet he has no reformist record. He is more affable than his predecessor, but there is no evidence to suggest that he has sufficient leadership qualities to meet current expectations. Let us, however, give him the benefit of the doubt. Let us

'Open reply to Joe Rogaly'
Last week Joe Rogaly wrote an open letter to Sir Owen Green, chairman of BTR. Sir Owen replies on page 12

also assume that the National Party wins in September, although the Conservatives (white supremacists) on its right and the Democrats (democrats) on its left are both expected to eat into its majority.

Now consider Mrs Thatcher's agenda for today. At the top of the list is Namibia. The peace accords have worked so far, but there will be many tense moments before the process is complete. The Prime Minister's office is in regular direct contact with the British Ambassador to South Africa, Sir Robin Renwick, so that she can do her bit to ensure that the Namibian flag is raised on schedule. Sir Robin is an excellent Thatcher operative. He is intelligent, amusing, energetic, and gets results. It is unfortunate that the head of state and Government of the new republic will almost certainly be Mr Sam Nujoma, of the South West African People's Organisation, but little can be done about that.

There is piquancy here: it would be the second time (the first was Zimbabwe in 1979) that Sir Robin and Mrs Thatcher have worked together to facilitate a process whose end result was the arrival in office of a black nationalist of whom I am sure neither wholly approves. Mr de Klerk's role in Namibia will not properly start until September, but he should be able to promise not to upset the apple-cart, if it is still standing then. Whether he can deliver on a related matter – the South African undertaking to desist from supporting the Renamo rebels in Mozambique – is another matter, but it is likely that he will try, and that he will come round to a meeting with President Joaquim Chissano.

So far, so good. The second item on Mrs Thatcher's mind is the release of Mr Nelson Mandela, who has now been in prison for *a quarter of a century*. Mr de Klerk may well promise to set Mr Mandela free after the election, but it is by no means certain that he will start off with a genuine release. He is more likely to try to phase it. One reason is the attitude of the republic's security services. Mr Botha's legacy is that nobody can run the republic without the co-operation of the army and the police. Mr de Klerk's ability to bring these forces under total civilian control remains to be tested. There is also a visceral fear of Mr Mandela's probable crowd-pulling powers, which in private Cape Town conversations is called the "Khomeini effect." Yet without liberty he can hardly take part in negotiations on a new constitution, which is the purpose of the exercise.

Once again, give the benefit of the doubt. Assume that the Mandela hurdle is jumped by an agile Mr de Klerk. The next would be the lifting of the emergency regulations under which the republic is currently governed. After that would come the legalisation of the African National Congress and the return to South Africa of its exiled leaders (assuming that they are persuaded by then to make an Arafat-like pronouncement suspending their "armed struggle"). You will see that there are many opportunities for Mr de Klerk to fall short of expectations even before he achieves the minimum that London-Washington-Moscow expect of him.

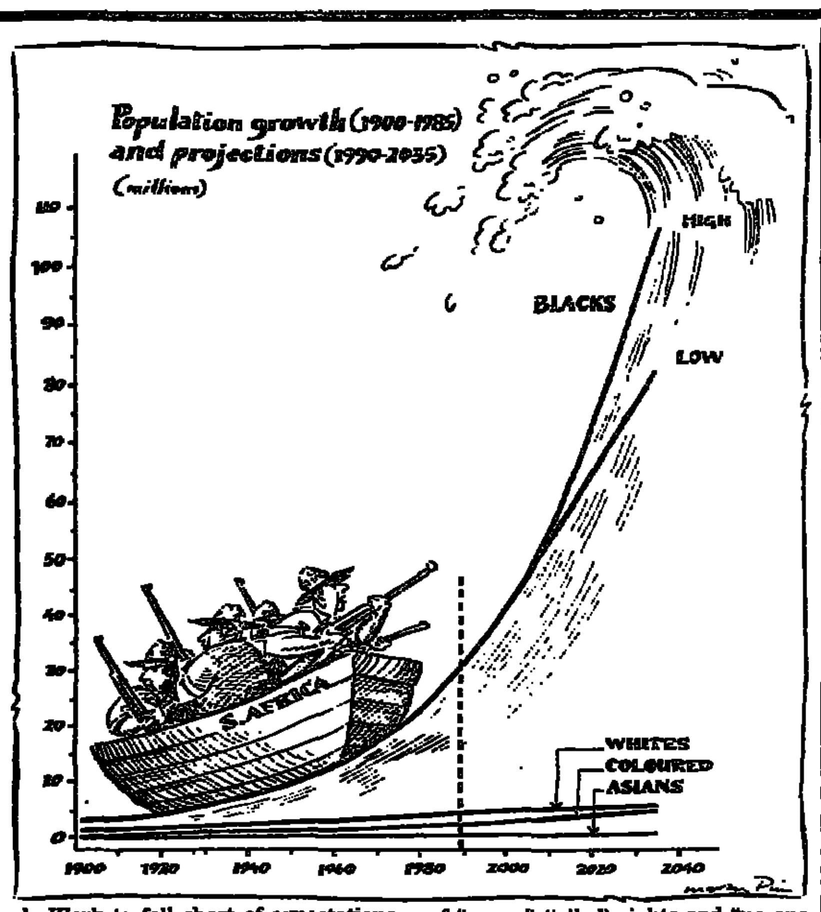
That minimum, which he himself is likely to assure Mrs Thatcher in broad terms is also his aim, is an open-ended negotiation with genuine black leaders – not puppets – on a new constitution for the republic. If he does get that far, he may be told in Downing Street this morning, the British Government will then do its best to provide him with a breathing-space in which to hold the negotiations. That does not mean lifting existing economic sanctions. It could mean something more valuable to Pretoria: a general reassurance to the effect that South Africa seemed to be on the way to solving its problems. Once Mr Mandela is free, Mrs Thatcher may feel able to visit South Africa herself; she could make her breathing-space speech in the same parliament that Mr Harold Macmillan addressed when he spoke thirty years ago of a "wind of change".

The pay-off could be a better climate for future inflows of private capital since at present the sanction that is hitting the republic hardest is the commercial decision by banks to keep their money away.

Thus Mrs Thatcher's pet project is an exceedingly precarious enterprise. The principal danger lies in Mr de Klerk's approach to reform, which could be construed as quasi-apartheid. He wants to maintain racially separate population registers, residential areas and schools; his offer will be to allow some to be open while most remain segregated. There will be talk of "group" (tribal) rights and "no one group dominating the others" but as Mrs Helen Suzman said as we lunched overlooking Table Mountain on Tuesday, the bottom line is continued white political predominance.

Mrs Suzman is the South African whose thinking is regarded by Mrs Thatcher as closest to her own. She is totally against sanctions and critical of the ANC and its allies, although she could happily imagine serving under Mr Mandela. Like the newly formed and thriving Democratic Party, one of whose components is the Progressive Party that Mrs Suzman kept alive for many years, she propounds a normal western constitution, albeit with safeguards like a bill of rights, proportional representation, a senate, and so on.

Again, a recent paper by the Afrikaner Broederbond postulates a future in which "the majority of the government members will indeed be black" but argues against a simple substitution of black control for white control. It must not be possible to change the new arrangement without the approval of the majority of whites, says the Broederbond. Is this genuine power-sharing, a black government with safeguards for whites, or a disguised form of political apartheid? Mr de Klerk is going home to address his party congress and publish what his associates say will be the Nationalists' most liberal manifesto ever. Read the small print but remember – it is a white election, in which the Afrikaner vote will be crucial. When it is over, we will be better placed to judge whether Mrs Thatcher has a useful role to play in the republic.



LOMBARD

An opportunity for India

By David Housego

LIVING in a large country, absorbed with their own affairs, Indians pay too little attention to what is happening beyond their borders. But events in China have been filling the front pages of the Indian morning papers.

Privately, a good many Indians have been crowing over the misfortunes of their large neighbour, with whom they have often been in conflict and competition. The more thoughtful have taken China's upheavals as a reassuring sign of the strength of India's democratic institutions.

For whatever the failings of Indian democracy – and Indians are the first to find fault with the corruption and inertia of their system – it has provided a stability that would be the envy of many countries. No projection on India's future prospects includes the type of disruptions to economic growth that have occurred in China.

A few Indians go further. They believe that China's catastrophe gives India a golden opportunity – the chance to take over from China the role it was establishing as a low-cost manufacturing centre in the global chain of production.

Up to now, India has not gained substantially from the rise in labour costs and the appreciation of currencies in east Asia which have diminished the competitiveness of Japan, Taiwan or Korea as manufacturing centres. Electronics, textiles, garments, toys, automobile components and engineering industries have preferred to shift production bases to China, Thailand, or elsewhere in south-east Asia.

With intra-regional trade and investment growing between Japan, the Chinese-speaking world and south-east Asia, their economies had begun to reinforce each other – with the risk that an India growing faster than it has in the past would none the less get left further behind. The bloodshed in China has obviously given this process a jolt.

Indian industry was unable to benefit from these global trends because it was surfacing from a long period of protected domestic markets, high costs and poor quality. Notwithstanding India's competitive advantages (a depreciating currency, low-priced labour and a large pool of engineering and managerial talent), foreign multinationals have been reluctant to invest on a large scale because of India's complex regulations and bureaucracy.

A sea change could be in the making on both counts. Deregulation and growing competition are stimulating Indian companies to pay more attention to quality and price. More and more are building plants and conceiving products designed to compete internationally.

A falling exchange rate and tax exemption on profits make it increasingly worthwhile to export. The export manager of one of India's largest groups says: "We are at the beginning of a ride which could be breathtaking."

In line with this changing environment, it is possible that the private sector will be brought in to improve roads, ports and power generation, which have proved serious bottlenecks to industrial growth.

Equally, foreign multinationals in India are benefiting from increasing deregulation. India is campaigning for more foreign investment, to provide more technology and cheaper equity investment. To judge by off-the-record comments from senior officials in the Finance Ministry, big changes in India's foreign investment regulations are in the offing.

Opportunities do not last indefinitely. China's upheavals provide a window of opportunity for India that could last for between one and two years. To seize the unexpected – almost unbelievable – chance it offers, the Indian Government and corporate élite have to show rapidly that the colours under which they wish to fly are those of international competition. What China and south-east Asia are prepared to accept, India must be prepared to accept too.

An election year is a difficult time to accelerate the move to market oriented economics. Things move *slowly in India*. Possibly nothing will be done. But it is not inconceivable that something could happen.

LETTERS

Disputes in public

From Mr P.D. Jones.

Sir, "Strikes and the Law" (June 16) suggests "mandatory conciliation and arbitration" in public services disputes. In this connection, may I draw attention to the present Government's consistently hostile attitude towards conciliation and arbitration for its own employees?

Since 1979, arbitration has been almost non-existent in the civil service, despite the continuation of tried and trusted arbitration arrangements dating back to 1926. We have had only one important arbitration case in the past decade (in 1982); this was very reluctantly accepted by the Government as part of the settlement of our five-month long dispute in 1981.

Since 1982 the Government has consistently refused either conciliation or arbitration in numerous civil service disputes, arguing that this is an *intolerable restriction* on its freedom to "manage" (that is, control by *diktat*) civil service industrial relations. I think you will see from this what kind of reception your proposal for mandatory third-party intervention in public services dispute is likely to receive from the present Government.

Peter Jones,
Secretary, Council of Civil Service Unions,
58 Rochester Row, SW1

Net cast for Dockland skills

From Mr Iain Mackinnon.

Sir, Your article about skills training in Docklands (June 14) gives a grossly misleading impression about what is going on. The report you quote reports only on Skillnet's first year – 1986-1987; already three years *out of date*.

Of course we made mistakes in the early days, and we have learnt from them. But we have also scored some substantial successes, including leading some people up to university entrance. I have a talented and committed team, with realistic plans in hand to make a real contribution in Docklands.

Iain Mackinnon,
Director, Docklands Skillnet,
12 Indescon Court,
Isle of Dogs, E14

The brain drain is no myth

From Mr Andrew Smith MP.

Sir, I was pleased to see that Mr Robert Jackson, the Higher Education minister, now concedes (Letters, June 13) that there is a problem of many younger academics unable to find permanent appointments in Britain, and of senior academic "stars" tempted by the climate of freedom and expansion and the considerably greater salaries and resources available in the US – notwithstanding his earlier characterisation of the "brain drain" as a "myth."

The Government has thus far failed to appreciate the sense of frustration felt by bright postgraduates seeking an academic career.

Mr Jackson admitted to me in a written parliamentary answer on February 9 this year that of approximately 28,000 full-time university lecturers in the UK, a mere 1,247 were under 30 in 1987-1988. That is just 4.5 per cent. Only another 8,000 were under 40.

The loss of young academic talent and brilliance, as well as the consequent damage to both higher education and, ultimately the economy, is obvious from such figures. Little wonder that 10 per cent of all newly qualified science PhDs leave the UK, when opportunities are so limited.

As you say in your own editorial on the same day, the net outflow of academic "stars," confirmed by the recent study of the economists' brain drain, has been a significant cause of demoralisation in the universities throughout the 1980s.

It does not surprise me that he scorns the anecdotal evidence for such an outflow, because the evidence is indeed gloomy. The New York Times reported last November that hard times in British higher education had driven 200 British professors to the US in the last five years, tempted by higher salaries and the "pessimism and demoralisation that pervades many universities."

Mr Jackson's claim that "rigid national pay structures" in the universities are the prime cause of declining academic salaries is preposterous from a representative of a Government which has cut the average UK university lecturer's pay in eight out of the last 10 years, relative to the rise in average non-manual earnings. His only suggested solution to the problem of low academic pay has been to advise lecturers to fall back on "moonlighting."

Now that Mr Jackson has finally acknowledged the existence of the brain drain, his Government must come forward with the resources necessary to invest in the future of teaching and research and to expand access to higher education, thereby ensuring that the quality of those retained and attracted to our shores, at least matches that of those who have been leaving.

Andrew Smith,
House of Commons, SW1

'On the brink of unthinkable difficulties'

From Mr T.W. Brown.

Sir, Timothy Raison MP (June 14) considers that it is "wise, if tough" not to restore Hong Kongers' right of abode in the UK.

Certainly it is tough on Hong Kongers, who have never been given democratic expression on any nationality or political question by the UK. But as a domestic UK political position it is feeble – and in many respects perilously unwise.

A Government which claims credit for taking necessary unpopular decisions risks complete discredit at its unwillingness *to face up to its responsibilities* in Hong Kong. The callousness and ineptitude of refusing full British passports now, while "reassuring" Hong Kongers that they would be admitted as refugees once the territory is no longer a UK responsibility, will alienate not just people in Hong Kong, but many of the Government's natural supporters in the UK.

We have reached the point where the Government openly admits that it is dealing inequitably with 5.5m citizens, and seems cynically to presume that it can get away with it.

Hong Kong stands on the *brink of unthinkable difficulties*. 100,000 of Hong Kong's ablest and wealthiest people are likely to try to emigrate in the coming year; capital outflows and dislocation in the property sector may knock on to liquidity in the banking system; inward investment is endangered, international bank lending already curtailed.

The grudging consent with which Britain now rules Hong Kong is turning to embittered resentment. This in itself is damaging to the UK's east Asian commerce; Hong Kong businessmen will shun the country which will not stand behind them. Fear and suspicion of surveillance by Communist agents is rife among a demoralised population.

The situation can easily tip over into a spiral of decline, spoiling that "golden egg" of prosperity which the UK government, in crassly "incentivised" terms, has always said would ward off Peking interference – thereby begging the question of what would happen post-1997 if Hong Kong did not perform economically.

The UK Government's position is both morally and economically indefensible, destined to redound grievously to the UK's discredit. For over 30 years we have failed to grasp the nettle of fundamental reforms in Hong Kong. The heart sinks to read Mr Raison repeating the old disaster of "No desperate need for haste".

Is 1997 "still some way off" when it is no further away than one job change or house move in many people's planning? As the deadline approaches, the sight of a Government prepared to take massive political risk in recovering the homes of 2,500 Falkland Islanders at a cost of billions of pounds, but absolutely none in guaranteeing the future safety of 5.5m Chinese Britons, fills one with profound dismay.

Thomas Brown,
45 Barkston Gardens, SW5

From Mr Brian Muirhead.

Sir, The "lease" for the territory of Hong Kong expires in 1997. But the people of Hong Kong are not subject to any lease; they are not pawns to be transferred into the sovereignty of whomsoever Britain decides. A fundamental principle of international law and justice, ranking before territorial property rights, is the self-determination of peoples.

This principle has been instrumental in the de-colonisation of many countries. Why were the people of Hong Kong denied self-determination? To agree to hand over Hong Kong citizens into the bloody hands of the current Chinese dictatorship, without a referendum or a vote, is as undemocratic as using tanks in Tiananmen Square.

Brian G. Muirhead,
56 Bolingbroke Road, W14

FINANCIAL TIMES
Friday June 23 1989

JAPAN, INDIA AND BRAZIL PUT BALL BACK IN WASHINGTON'S COURT

'Unfair traders' refuse meetings with US

By William Dullforce in Geneva

JAPAN, Brazil and India, the three countries targeted as "unfair traders" by the US, all formally refused yesterday the bilateral consultations for which the US is calling under its controversial new Trade Act.

Their common refusal, which follows on the general outcry against the US action in the council of the General Agreement on Tariffs and Trade on Wednesday, put the ball squarely back in the US court, Mr Rubens Ricupero, the Brazilian ambassador to the Gatt, said.

Mr Rufus Yerxa, Deputy US Trade Representative, took a more conciliatory attitude to that previously voiced in Washington. He said that the US was prepared to pursue its case against Brazil under the aegis of the Gatt, including through its dispute settlement mechanism, if necessary.

Tokyo had not formally placed the US action against Japan on the council agenda. But in India's case, Mr Yerxa said the issues concerned were being negotiated in the Gatt's trade-liberalising Uruguay Round. The US wanted to pursue separate bilateral talks, but its position in such talks would be "entirely consistent" with its objectives in the Round.

However, several heads of delegations to the Gatt retorted that it was not enough for Mr Yerxa to talk softly in Geneva while Mrs Carla Hills, the US Trade Representative, continued to brandish the crowbar of unilateral sanctions in Washington.

The so-called Super 301 clause written into the Act by Congress requires the US Administration to identify countries which maintain the strongest barriers to US exports and to negotiate the obstacles away under the threat of sanctions and to a fixed timetable, in which the first stage is bilateral talks.

Japan, the satellite, supercomputer and forest product markets of which have been singled out, told the Gatt council yesterday that it had "no intention of negotiating under duress."

Mr Yoshio Hatano, the Japanese ambassador, said the US Super 301 approach of conducting bilateral negotiations against the backdrop of a possible resort to retaliation provided "unnecessary cause for resentment and friction."

It obstructed efforts to address the issues in a constructive manner, he declared. Brazil, under US attack for its import restrictions, said it could not accept bilateral consultations in the framework of the internal law of another country. Adequate solutions could be found within the available international norms and mechanisms.

India said that by threatening unilateral US retaliation, the US aimed at securing changes in domestic policies which were crucial to the realisation of its development objectives – economic growth and the removal of poverty.

"We cannot accept dictation on these matters from any source," Mr Bal Krishan Zutshi, India's ambassador, said. He stressed that the areas singled out by the US – foreign investment and India's closed insurance market – were not currently covered by Gatt.

Limits to glasnost in Bulgaria

A flood of Turkish-speaking Moslems have left Bulgaria for Turkey - under varying degrees of duress - in the last few weeks. Sofia officials said yesterday the number, already over 50,000, might rise to 300,000. As President Todor Zhivkov heads for Moscow, Judy Dempsey explains the background to Bulgaria's policy.

Mr Todor Zhivkov, Bulgaria's president, seems to have concluded that glasnost and ethnic Turks do not mix.

Sofia's ageing leaders, who long insisted that they had introduced perestroika in 1956, were slow to respond to Soviet President Mikhail Gorbachev's reforms.

Only gradually did they come round to the view that the Bulgarian version of glasnost needed updating. But not too much updating, and especially not on the ethnic Turkish minority issue.

At the beginning of this year, the authorities gave several independent human rights groups permission to operate. These groups quickly tested the sincerity of the regime and the limits of glasnost.

Two of them, the Association for Vienna 89 (based in Razgrad in the north-east of the country) and the Moslem Initiative Group (based in Kurdzali, in the south) began speaking up for the 900,000 ethnic Turkish minority.

They demanded that the minority, which makes up 10 per cent of the 9m population, be granted rights such as access to Turkish-language schools, newspapers and books.

The movements were joined by hundreds of Turks, many recently released from prison for protesting against the assimilation campaign of 1984-85 in which Turks were forced to adopt Slavic names and Bulgarian customs.

In an unprecedented show of determination, ethnic Turks staged hunger strikes and demonstrations in May, perhaps encouraged by the European human rights conference in Paris.

But the parameters of Bulgarian glasnost were quickly defined. The leadership – notably Mr Dimitar Stoyanov, the Interior Minister – deported the protest organisers, who were branded "trouble-makers" or "Moslem fanatics."

Mr Stoyanov is no amateur in dealing with the ethnic Turks. During 1985, as police chief in Kurdzhali, which has the highest concentration of ethnic Turks, he was notorious for his persistence in carrying out the name changes. Despite the initial expulsions and the use of considerable force (Sofia admits seven people were killed) unrest persisted.

In late May, Bulgaria's leadership appears to have taken the extraordinary decision that has resulted in a flood of ethnic Turks across the Turkish border: some 60,000 have arrived in Turkey so so far, and Bulgarian officials indicated yesterday that the total might reach 300,000.

After years of heavy restrictions on its citizens' right to travel, Sofia suddenly issued passport and exit visas to at least 150,000 ethnic Turks.

Many of those arriving in Turkey say they were forced to leave, with little time to gather possessions; others say they merely took the opportunity to leave once passports were issued, because conditions had become intolerable: and they feared the passports policy might soon be reversed.


An ethnic Turk sits with his grandson among their possessions as they wait to cross the Bulgarian border at Kapikule

It is hard to discern Sofia's motive. The rapid growth in the ethnic Turks' population (Ankara estimates them at 1.5m, while Bulgaria acknowledges about 900,000 "Moslem" citizens) must long have been seen as a threat by the Bulgarian leadership.

Having failed to assimilate the community, the Bulgarian leadership may have calculated that a steep reduction in their numbers would ease the perceived threat.

But the exodus of Turks, who range from dentists and engineers to farmworkers, is exacerbating Bulgaria's already serious labour shortage.

Having set the exodus in motion, Sofia may now fear that the numbers will get out of control. But if it withdraws passports now it could face further strikes and demonstrations.

Sofia could in theory stem the exodus by making some concessions to Turkish culture but that seems impossible under the present leadership, since it would involve admitting assimilation had failed, and backing off the official line that Bulgarian Moslems are not Turks – merely Slavs whose ancestors were forcibly Islamicised.

What the Bulgarian authorities may really be hoping, rather naively, is that the Turkish authorities will be forced to close the borders out of economic necessity.

That way, Bulgaria would keep its Moslem citizens – and, Sofia would have a freer hand in dealing with them; moreover, Western criticism could be deflected from Sofia to Ankara.

But for the moment, Mr Turgut Ozal, Turkey's Prime Minister, shows no sign of blinking first. His government has mounted an enormous relief effort.

So Mr Zhivkov is in a tricky situation – and he may receive some blunt advice from Mr Gorbachev, during a visit to Moscow that starts today, about how to dig his way out.

Tehran and Moscow bury their differences

By Quentin Peel in Moscow

THE SOVIET UNION and Iran yesterday buried their often bitter differences, and pledged good neighbourliness and non-interference in each other's internal affairs.

Ali Akbar Hashemi Rafsanjani, speaker of the Iranian parliament and acting head of the armed forces, in Moscow on a state visit, launched a campaign to end his country's international isolation after the funeral of Ayatollah Khomeini.

For his part, Soviet President Mikhail Gorbachev confirmed the willingness of the Soviet Union to supply Iran with arms, and even promote religious exchanges.

In return for this Mr Rafsanjani gave an almost effusive commitment to seek political settlements to conflicts such as that in neighbouring Afghanistan.

Mr Rafsanjani was treated throughout the visit almost as a head of state.

However, the one false note in the summit was the failure to finalise an agreement on restarting Iranian supplies of natural gas to the Soviet Transcaucasus.

That deal, apparently still blocked by a failure to settle the price and terms of barter for Soviet technology and equipment in exchange, would provide solid underpinning for a range of general economic agreements also signed by the two leaders.

Mr Rafsanjani ended his two-day official visit with a commitment to "good-neighbourly relations" with all neighbouring countries and a repeated endorsement of the principle of non-interference.

That applied equally to Afghanistan, to any suggestion of rising Islamic fundamentalism in Soviet Central Asia and to the conflict in Lebanon.

He said Iran wanted "healthy, sound relations" with all other countries, excluding only "two or three which have a bad position, or because the essence of these regimes is illegal." In that category he named only Israel and Afghanistan.

However, on the question of Ayatollah Khomeini's death sentence on the author Salman Rushdie for alleged blasphemy in his book, Satanic Verses, he remained resolute.

"We cannot in the name of God Almighty reverse that prescription.

"The West does not understand this question. It was a prescription according to the Sharia [Islamic law], and not a personal opinion," Mr Rafsanjani said.

The Soviet Union is certain to welcome the commitment to non-interference by Mr Rafsanjani, not only in Afghanistan, but also in Soviet Central Asia, where Moscow remains deeply concerned about the threat of Moslem fundamentalism.

However, the Iranian leader did not go so far as to endorse contacts between the Alliance of Eight Afghan Shia opposition groups, supported by Iran, and the Soviet-backed government of President Najibullah in Kabul – a disappointment for Mr Gorbachev.

Throughout the Iranian visit indications were that both sides were determined to make maximum political capital from their rapprochement.

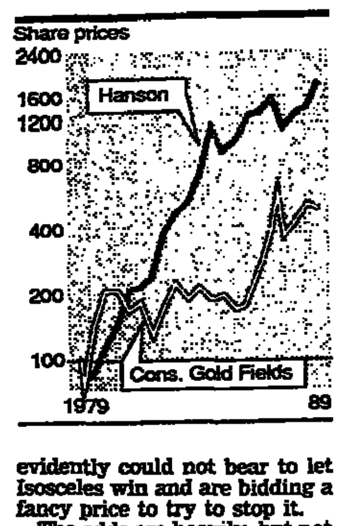
In the joint declaration both sides agreed to co-operation across a range of economic areas, including the peaceful use of atomic energy.

On defence, it states: "The Soviet side is ready to co-operate with the Iranian side in strengthening its defence capacity" – tacit confirmation of an arms deal signed in April, for the supply of tanks, armoured vehicles and artillery.

THE LEX COLUMN

Hanson's golden opportunity

It would be a gross exaggeration to suggest that Hanson's £3.1bn bid for Consolidated Gold Fields is a minor diversion. Yet it is hard to believe that this is going to be the mega-bid which is going to occupy Lord Hanson for the next three years. It is a typically opportunistic move by an establishment corporate raider intent on exploiting the weaknesses of two adversaries pitted against each other in a dead-end struggle.



Gold Fields' board must be acutely conscious that its share price is languishing around £12.50 after the majority of its shareholders accepted a bid of over £15 from Minorco only to have it blocked by the company's own artful manoeuvring. Meanwhile, Minorco's long-term ambitions have been stymied by a legal battle which could take years to resolve. Something had to happen, and Hanson is the catalyst.

However, it is exacting a pretty high price. Gold Fields' shareholders will almost certainly not get as much as they would have done if they had done a friendly deal with Minorco. It was always worth more to it than anyone else. By the same token, Minorco must have been pretty desperate to get rid of its stake if it had to agree not to benefit from the extra 50p or so that Hanson will probably have to offer to clinch the deal. It has ensured that the biggest competitor of its South African parents will be dismembered, and has an extra £1bn in its kitty. But it has failed to dilute its South African ownership and has still to prove that it can develop into an effective international natural resource group.

Maybe, Minorco's generosity towards Hanson will be rewarded by being given first pick of any asset sales. Indeed, it would be surprising if Hanson had not already lined up likely bidders for the gold assets. Renison's titanium business may be retained, but sensitivity to commodity price fluctuations is not part of Hanson's strategy, and apart from ARC there is not much else Hanson will want.

Gateway

Mr Monk may congratulate himself at the excellent value he is getting for shareholders; but to outsiders yesterday's hastily convened auction for Gateway looked more like egos running riot. Newgateway and its scores of top notch advisors evidently could not bear to let Isosceles win and are bidding a fancy price to try to stop it.

The odds are heavily, but not overwhelmingly, against them. For Isosceles' to travel the remaining short distance to 50 per cent will mean explaining how its 130p is somehow better than Newgateway's 135. So far so bad: Isosceles says its cash can be had at once, but that is hardly an advantage when the other side is offering more in the market. The value of the equity stub is a more promising discussion point, but as that has actually gone down with the higher bid, any bumper estimates of value will make the initial 15p estimate look irresponsibly low.

For the time being, there is no reason why shareholders should do anything. The price is underwritten at 230p, and it is just possible that Newgateway will go higher still to break the deadlock. It was remarkable how many chose to sell yesterday, but then the market has made the mistake of selling too early all the way along.

It all looks like leading to a stalemate, which would hurt everyone, especially Gateway's limping business. Isosceles may not be allowed by the Panel to back down, while for the mighty Wasserstein Perella to sell at a loss to Isoceles would be an intolerably humiliating defeat.

Goodwill

The present treatment of goodwill in the UK makes a nonsense of the balance sheet; but the new method being pushed by the Accounting Standards Committee threatens to do the same to the P and L. The ASC argument is that goodwill represents the ability to generate profits and that, as it does not last for ever, it should be written off against profits over time. As every other civilised country amortises goodwill, the UK should fall into line, in the interests of international accounting harmony.

At second sight, however, the scheme is longer on neatness than on logic. There is no economic event during the year that the portion of written-off goodwill relates to; the length of the period is entirely arbitrary and, in any case, it is unclear why combined profits should fall when two companies merge.

Finance directors have a less theoretical reason for opposing the draft: it will devastate their figures. Saatchi's earnings, for instance, are cut in half under GAAP and, even though the footings of its US balance sheet are more than five times as big, it is still earnings that the market watches. If the ASC gets its way, the result could be a strong rerating of those companies that have grown organically and an end to the takeover boom in businesses short on assets.

Goodwill is the thin end of the wedge and, were it to be amortised, similar treatment of brands and other intangibles would be bound to follow. But before analysts reach for their calculators, they might reflect on what happened to current cost accounting, off-balance sheet financing and other darlings of the ASC.

UK analysts

An industry which has 50 per cent overcapacity, where 43 per cent of customers think that quality is deteriorating and where it is hard to see any sign of a profit, would justify a sell recommendation from any analyst.

So it must be doubly depressing for UK equity researchers to find that those conditions apply to their own profession, at least according to the latest Extel survey. The elite 25 per cent of analysts seem as highly regarded as ever but for the rest quantity, not quality, appears to be the order of the day. Within five years, it seems likely that the analytical profession will be split into the top ten houses and a few big name independent individuals who can persuade institutions to part with cash for what they used to think was a free service. Today's unranked analysts would probably be best advised to see if Lord Hanson needs a few more "young Turks" in his acquisition department.

Rule for amortisation of goodwill proposed in UK

By Richard Waters in London

THE reported profits of some of the UK's largest companies will be shaken up by a rule change which has been agreed in principle by the Accounting Standards Committee.

The committee has decided to recommend that goodwill arising from acquisitions should be put into companies' balance sheets and then written off against profits – or "amortised" – over a number of years.

This move, which will severely deplete the reported earnings of acquisitive companies, would bring UK practice into line with that in most other countries.

Mr Roger Munson, a partner at Coopers & Lybrand and chairman of the working party that produced the recommendation, said yesterday: "We will have to be prepared for the business community's response, because they will not like it."

At present, UK companies can write off goodwill against reserves in the year it arises, leaving profits unaffected.

Many accountants have claimed that this practice has given British companies an advantage over those in the US, which have to write goodwill off against profits over no more than 40 years.

According to this view, UK companies are able to pay a higher price in takeovers in the knowledge that their profits will remain unaffected.

UK practice, however, also reduces companies' disclosed shareholders' funds – leading to the recent fashion in the UK of "brand accounting," which involves putting a value on intangible assets. This was condemned yesterday in a paper from four academics at the London Business School.

Mr Munson said his working party had concluded goodwill was an asset like any other.

Hanson's Gold Fields bid

Continued from Page 1

head of the mining team at Kleinwort Benson Securities, estimated Hanson could raise £2.8bn from asset sales, leaving ARC in for £1.1bn compared with its true value of £1.5bn.

Mr Martin Taylor, deputy chairman of Hanson, said there was no reason to think there would be any regulatory or legal problems to prevent the merger going ahead. Hanson has a net cash balance of almost £2bn, and substantial borrowing powers.

Hanson's deal with Minorco includes the unusual provision that, if the offer is increased, Minorco would still receive only £14.30 for each of its Gold Fields shares. Also, if a competitive offer is successful, Minorco must pay Hanson half of any price above £14 per Gold Fields share.

Gold Fields and Hanson are expected to meet again early next week.

Timetable of the Minorco bid

- 21 Sept 1988: Minorco offers mixture of shares and cash for 71 per cent of Gold Fields it does not already own. Values Gold Fields at £2.9bn.
- 24 Oct: New York court imposes temporary injunction preventing Minorco acquiring more Gold Fields shares until US courts have examined claims that the bid will leave Minorco and its parent, Anglo American Corporation of South Africa, with some third of world gold production.
- 25 Oct: Bid referred to the UK Monopolies and Mergers Commission (MMC) and automatically lapses.
- 2 Feb 1989: MMC clears Minorco to bid again.
- 25 Feb: Minorco launches £3.2bn revised bid.
- 10 April: Minorco's final offer worth £3.5bn
- 24 April: Minorco says on day offer closes that acceptances have taken its potential stake in Gold Fields to 54.8 per cent.
- 16 May: New York court refuses again to lift injunction. Minorco admits defeat and offer lapses.
- 22 June: Hanson bids £3.1bn cash. Minorco accepts in respect of its 30 per cent stake.

WORLD WEATHER

Agnew ready for a fight

Continued from Page 1

always clear that the failure of the Minorco bid only marked the end of Act One: Act Two opened with the television crews waiting once more in the foyer and Mr Agnew in expansive mood upstairs.

He said he was happy to negotiate with Hanson about the terms, although he was determined to fight the price of yesterday's offer and insisted that Gold Fields was not about to roll over.

At the end of its bid, Minorco owned or had acceptances from nearly 55 per cent of the shares – and it still managed to lose the battle. Hanson, with its long experience of successful takeover tactics, may prove a more formidable opponent.

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COMPANIES & MARKETS
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INSIDE

Where do we go from here?

Eighteen months of near record nickel prices have enabled Inco, the Canadian metals group that is the world's largest nickel producer, to hand out $1.05bn to shareholders through a controversial special dividend and another $56m in bonuses to employees for the 1988 financial year. Kenneth Gooding talks to chairman Donald Phillips (above) about where the group is heading. **Page 29**

Question-mark over Milan

A rocketing surge by the Italian bourse fizzled out at the start of the week as the European election results put a damper on the Milan exchange. Simon Greaves asks whether this was just an 11-day wonder or if shares have further to go. **Page 48**

Efficiency drive lifts Rothmans

Cost savings and efficiency improvements in the tobacco division helped Rothmans International, the cigarettes and luxury consumer goods company, improve operating profits by 4.7 per cent to £283.1m ($448m) on a slight fall in net sales revenues in the year to the end of March. Pre-tax profits rose 13.1 per cent from £288.8m to £326.7m. **Page 32**

Touching a thorny problem

Lord Hanson - in the news over his company's bid for Consolidated Gold Fields - explains goodwill thus: "If you're trading a horse, it's the value to the buyer and what the seller can get for it." But it is not really that simple. David Waller and Richard Waters look at the ramifications of the Accounting Standards Committee's latest ruling on the issue. **Page 33**

Selling Anglia by the pound

The continued strength of advertising in the region lifted pre-tax profits at Anglia Television Group, IBA contractor for the east of England, by 16 per cent to £8.92m ($13.8m) for the six months to the end of April. Sir Peter Gibbings, chairman, said airtime sales increased by 19.6 per cent during the period, compared with 14.4 per cent for the network as a whole. **Page 34**

New lease of life

When Rodime, the computer disk drive manufacturer, recently revealed enormous losses *and disclosed that it was virtually insolvent*, many people thought that the end of the company was nigh. Yet it has confounded the pessimists by putting together a $68m rescue package. James Buxton reports. **Page 34**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	1912	+	49
Continental	310	+	7.5
Deutsche Bank	587.5	+	12.5
Hypobank	385.7	+	8.2
Falls			
Nixdorf	311.5	−	3.8
Kaufhof	516	−	3
NEW YORK ($)			
Rises			
Integrated Res	4 5/8	+	5/8
Newmont Gold	33 1/4	+	2
Newmont Mining	40	+	5 1/2
Hanson ADRs	16 7/8	+	7/8
Falls			
Kinetic Con	5 5/8	−	2 1/2
Mack Trucks	12 1/8	−	1/2
PARIS (FFr)			
Rises			
Legrand	3985	+	308
A Dassault	749	+	41.1
Hutchinson	1325	+	65.1
BIS	578	+	24
Falls			
Sautess CH	280	−	11
Radio Tech	812	−	21.2
TOKYO (Yen)			
Rises			
Konica	1340	+	140
Nippon Type	1700	+	170
Shikoku Chem	1130	+	110
Uchida Yoko	1440	+	110
Yaohan Dept	1650	+	120
Falls			
Hamamatsu Photo	1170	−	70
LONDON (Pence)			
Rises			
AitkenHume	58	+	7
Cable & Wire	465	+	21
Cadburys	374	+	8
Caird	595	+	16
Chaper Cons	538	+	31
Cons Gold	1456	+	203
Eng China	490	+	18
Gateway	233	+	10½
Hanson	214	+	11
Ivory Merchant	514	+	9
Isoeron	276	+	18
Johnson Matthey	495	+	16
Lonrho	281	+	8
Redland	572	+	15
Steetley	447	+	12
Whatman Reeve	449	+	29
Falls			
BAT Inds	641	−	28
Beecham	629	−	12
Body Shop	708	−	15
Brit Telecom	264½	−	8
Christie Gp	166	−	17
Racal Elec	483½	−	19½
Racal Tele	462	−	12
Rossbaugh	612	−	17

De Benedetti may acquire AT&T's Olivetti stake

By Alan Friedman in Milan

MR CARLO DE BENEDETTI, the Olivetti chairman, is considering acquiring part or all of the Olivetti stake *that is owned* by American Telephone & Telegraph (AT&T) in a move designed to ensure future shareholder stability.

At present, Mr De Benedetti's CIR holding company owns 22.28 per cent of Olivetti. AT&T owns 22.35 per cent of the ordinary voting shares, with a current stockmarket value of nearly Lire 1,000bn ($700m).

Mr De Benedetti is preparing to *tackle the issue* of AT&T's Olivetti stake because a shareholder pact between CIR and AT&T expires at the end of September. Mr De Benedetti, who has an option on the AT&T holding, is believed to be concerned about where these shares might end up, should AT&T decide to sell.

Discussions between Mr De Benedetti's CIR group and AT&T are expected to get under way in the next few weeks. Among the various possible formulae thought to be under consideration in Milan is a proposal that could see the US telecommunications group selling part of its Olivetti stake to CIR in exchange for a shareholding in CIR. Mr De Benedetti's group last night declined to make any comment on the matter, which has surfaced this week in Italian press reports.

The CIR group is Mr De Benedetti's *main listed holding* vehicle. Aside from the Olivetti stake, it controls the Mondadori-Espresso publishing house and Cerus-Dumenil Leblé, the French investment bank, plus important stakes in Valeo, the French car components business, Yves Saint Laurent, the fashion house, and 15.4 per cent of Société Générale de Belgique.

AT&T has been reported to be restless about its Olivetti stake *for the past 18 months, but* has never confirmed reports to this effect.

Yesterday AT&T repeated again that it had "no comment to make as a matter of policy".

Rumours of an AT&T sale of its Olivetti holding have been stoked by the fact that the US telecoms giant is sharply scaling back its orders of Olivetti personal computers this year (from 117,000 PCs last year to an expected 30,000) and is poised to choose Intel of California as an alternative PC supplier.

Aside from its relationship with Olivetti, AT&T earlier this month formalised an alliance and share swap with Italtel, the telecoms equipment maker that is owned by STET, the state holding concern.

STC and SAT link on telecoms research

By Terry Dodsworth in London

STC of the UK and SAT of France, two of Europe's telephone transmissions companies, are linking in a collaborative arrangement which marks a new phase in the organisation of the telecommunications industry.

The two companies will work together on various research and development projects in transmissions. They will also collaborate on marketing and distribution, using each others' products to expand their own ranges.

Transmissions technology involves products such as lasers and multiplexers, which send and manipulate telephone signals in modern fibre-optic cable networks. Both STC and SAT make this hardware, along with the complex software which controls the systems.

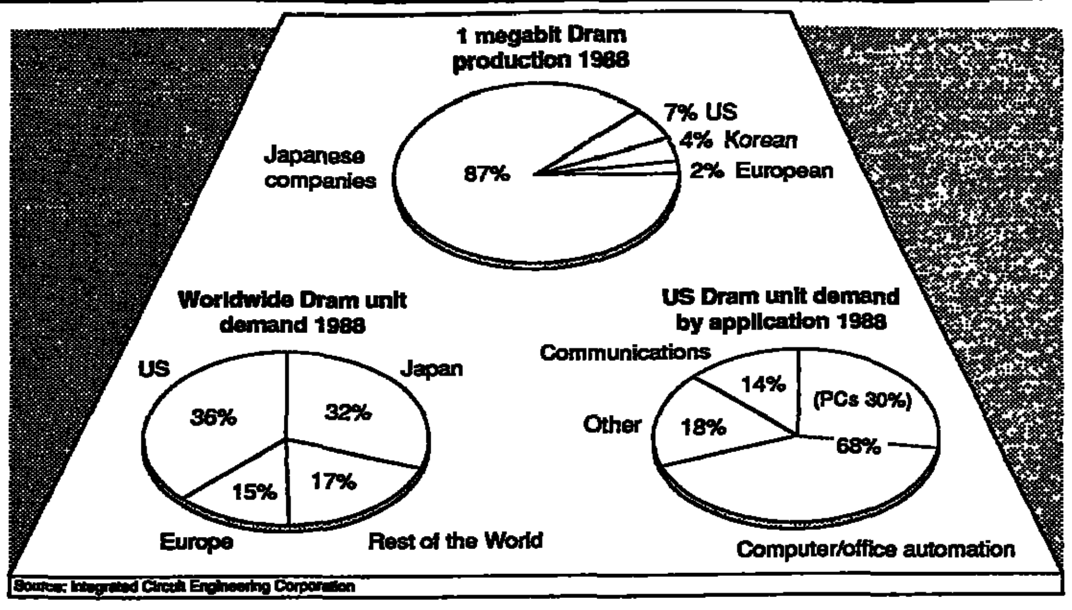
After several takeovers and mergers in the telephone exchange sector, it is expected that there will be a similar rash of reorganisations among manufacturers of transmissions equipment and other telephone products. For example, STC said yesterday that it had not excluded the possibility of further deals in Europe between itself, SAT and other producers.

SAT is estimated to have about 30 per cent of the French market in transmissions. Part of the Sagem electronics and defence group, it has 5,000 employees and a turnover of around FFr5bn ($745m).

STC, which owns the ICL computer group, had sales last year of £2.36bn ($3.63bn), of which £842m were generated by the communications division. It claims between 30 per cent and 40 per cent of the UK market.

STC already has an international research and development agreement in transmissions with Northern Telecom, the Canadian group. It said yesterday that the Northern Telecom deal would not be affected by the SAT accord.

Robert Mosbacher lauded the plan as "the American Way", saying: "It is very encouraging to see the private sector taking this kind of initiative."



Memories Inc comes out fighting

Louise Kehoe on plans for a big US push in the world microchip market

The United States semiconductor industry is planning an extraordinary billion dollar collaborative effort to reclaim a substantial share of the $6bn-a-year world market for Dynamic Random Access Memory (Dram) chips from Japanese competitors.

The plan, unveiled this week by the Semiconductor Industry Association, an influential trade group representing US chip makers, calls on US computer and semiconductor manufacturers to invest jointly in a venture to be called US Memories Inc that will establish a high-volume Dram manufacturing operation scheduled to be fully operational in early 1991.

The corporation, which will aim to make profits, will need about $500m in equity financing, plus an additional $500m in debt financing, said Mr Sanford Kane, vice president of IBM, who will become president of the new venture next week.

Already, 30 US companies have expressed interest in the plan, and seven – IBM, Hewlett-Packard, Digital Equipment, Intel, National Semiconductor, Advanced Micro Devices and LSI Logic – have said they are willing to make substantial investments in the venture as well as providing seed capital.

Company "shareholders" in US Memories will be required to commit themselves to buy at least half of the venture's memory chip products.

US Memories expects to obtain advanced Dram technology, including a 4 Megabit Dram design, through a licensing agreement with IBM. Although IBM does not sell Drams on the open market, it is one of the largest chip producers in the world.

For IBM and other US computer manufacturers, US Memories could become a significant new domestic Dram supplier that would reduce their dependence upon Japanese manufacturers.

The reliance of the US electronics industry upon Japanese chip makers was highlighted last year when a serious shortage of Drams forced several US computer makers to cut production.

Even US Memories' potential competitors, the existing US producers of Drams, wish the venture well. "The US electronics equipment industry needs to be able to buy a higher percentage of its Drams from domestic sources," said Texas Instruments.

Toshiba, Japan's leading Dram manufacturer, said the return of US manufacturers to the Dram market "would encourage vigorous competition and lead to the healthy expansion of the industry."

For US chip makers, many of which were forced to abandon the Dram market in the early 1980s, in the face of fierce Japanese competition, US Memories represents an opportunity to share the high capital costs and risks of Dram re-entry.

Drams represent the largest single product sector of the semiconductor market.

The devices are used in all types of computers as data storage devices. Beyond their economic significance, moreover, Drams are "technology drives" which push ahead the state of the art in chip production.

The market for Drams is expected to expand sharply in the 1990s as the chips become more widely used in consumer electronics products such as high-definition television, telephones and facsimile machines.

Since the signing of the US Japanese semiconductor trade agreement in 1986, which provided strong measures designed to prevent a recurrence of Japanese "dumping", US chip makers have been under increasing pressure both from domestic customers and from the US Government to expand Dram production.

But to date only Motorola has taken the plunge. Other chip makers said they could not afford to risk huge capital investments to make products that might produce only marginal profits.

Industry and Administration officials were quick to point out, yesterday, however, that the 1986 trade pact has been effective in reducing the risks of the Dram market. Under the terms of the trade pact, the US Commerce Department sets "fair market value" prices for imported Japanese Drams to ensure they are not sold in the US below cost.

The US Memories plan "signals the willingness of US firms to act creatively and decisively when they can be assured that their efforts will not be undercut by unfair trade practices," said Carla Hills, US Trade Representative.

"It is very encouraging to see the private sector taking this kind of initiative to look for creative ways to enhance the US semiconductor industry's global competitiveness," added Mr Robert Mosbacher, US Commerce Secretary.

According to semiconductor industry analysts, US Memories could claim about 12 per cent of the world Dram market for 4 Megabit Drams by 1992, more than doubling the current US share of the Dram market.

Significantly, the industry has not asked the US Government to provide funding for US Memories. Mr Mosbacher has stated several times recently that he supports industry collaboration to improve US competitiveness, but that he will not support government funding of industry consortia.

None the less, US Memories may require government support in the form of loan guarantees, industry executives said.

Several hurdles remain to be overcome, if US Memories is to succeed. Most importantly, more US computer manufacturers must commit themselves to investing in the project. Apple Computer, Sun Microsystems and Compaq Computer, all major Dram purchasers, said yesterday they were studying the plan.

Their reticence may reflect concerns about upsetting their current Japanese Dram suppliers rather than signal any lack of support for the venture. None the less, their absence from the list of backers is significant.

The success of US Memories will also depend upon the successful transfer of technology from IBM to the new venture. Industry observers raised several potential problems including the shortage of Dram production experts in the US, the availability of semiconductor production equipment matching that used by IBM, and the possible mis-match of IBM's technology with the requirements of the merchant market.

Before US Memories can even begin to address these issues, however, it must receive the blessing of the Justice Department. No formal request for anti-trust approval has yet been made. But the industry plan involves unprecedented collaboration among US companies.

Semiconductor leaders are confident, however, that they can overcome any difficulties that may lie in the path of forming US Memories. Mr Robert Noyce, president of Sematech, said: "We are seeing a rebirth of optimism that US industry can be competitive in the future."

Nokia, James River and Ferruzzi to form European tissues venture

By Enrique Tessieri in Helsinki and Alan Friedman in Milan

NOKIA, Finland's largest privately-owned company, James River of the US and Mr Raul Gardini's Ferruzzi group have signed a letter of intent to form a joint venture that will create a new force in the European paper tissue market.

The final agreement, to be signed by October-November according to Nokia officials, will produce a joint venture with annual production reaching 420,000 tonnes of tissue, putting it on terms with the hitherto undisputed European market leader, Scott Paper of the US.

According to the letter of intent, Nokia will form part of *two joint venture operations with* James River and Ferruzzi.

The tissue deal, where Nokia and James River/Gruppo Ferruzzi will each have a 50/50 stake, will include Nokia's existing tissue operations in Europe as well as the James River/Gruppo Ferruzzi tissue interests in Spain.

This consists of a 50 per cent stake in Sarrio Tisu, a Spanish paper company.

Ferruzzi and James River jointly bought this stake in March, and the two companies have an option to buy out the other half in five years.

Ferruzzi paid more than $25m for its half of the 50 per cent stake in Sarrio Tisu.

Nokia's tissue operations registered FM2.2bn ($537m) in sales last year.

The James River/Gruppo Ferruzzi operations involved in the two joint ventures made over $800m in net sales in 1988.

Nokia is also planning to acquire 20 per cent of other European paper businesses that are jointly held by Ferruzzi and James River.

Ferruzzi did not disclose the price Nokia is paying for this 20 per cent stake.

The second joint venture company of which Nokia will only have a 20 per cent share together with James River/Gruppo Ferruzzi's 80 per cent stake, will be formed by Kaysersberg S.A. of France, Ipek Kagit AS of Turkey and Unikay of Italy.

The companies that will form part of the tissue joint venture, apart from Sarrio Tisu, include: *Nordic Tissues of Finland*, British Tissues, Sodipan-Nokia of France, Nokia of Ireland, Nokia of Norway and Deeko of the UK.

CU links with Credito Italiano

By Nick Bunker in London

COMMERCIAL Union, the British composite insurer, has surprised observers of the rapidly-growing Italian insurance market by signing an agreement with Credito Italiano, enabling it to sell both life and non-life insurance via the bank's 503 retail outlets.

Credito Italiano's 140-strong Mediofin direct sales force will also distribute products on behalf of the UK insurer's Milan-based subsidiary Commercial Union Italia, *CU said yesterday*.

The tie-up comes at a time when UK insurers are striving to catch up with Swiss and West German groups, such as the Swiss Reinsurance Company, Winterthur Insurance and Allianz, in a race to build distribution networks in the under-developed Italian market.

It also reflects the Europe-wide trend for insurers and banks to form alliances aimed at turning retail banks into sales outlets for a broader range of financial services.

CU, for instance, also revealed yesterday that it is launching Credit Maritime Vie, a life company which will sell policies to French fishermen via the 150 branches of the Credit Maritime mutual bank.

Observers were taken aback yesterday though by the fact that an institution as large as Credito Italiano would strike a *distribution* deal with a foreign insurer, rather than with one of the domestic Italian insurers such as La Fondiaria.

Ranked among the top five Italian banks, Credito Italiano is one of the nation's three Banks of National Interest, with 64 per cent of its equity owned by the IRI state holding company.

Mr Greg McNulty, European insurance analyst with London-based securities house Fox-Pitt Kelton, *said*: "I'm surprised. I'd also be astonished if Credito Italiano were giving anything away."

Another intriguing feature of the deal is the fact that Credito Italiano has opted to distribute life assurance for what is essentially a start-up operation by a foreign group.

Currently, CU's present Italian operation consists of Bevington, a Milan-based non-life insurance agency held by *Commercial* Union Italia.

In 1988 it had premium income of £22m ($33m).

CU is only just setting up its Italian life company, CU Vita. It has been approved by ISVAP, the regulatory watch-dog which advises the Italian Industry Ministry's insurance department, but is not yet fully licensed, said Mr Paul Found, CU's assistant group financial controller.

INTERNATIONAL COMPANIES AND FINANCE

Hong Kong group in surprise rights issue

By Michael Marray

HONG KONG-LISTED China Entertainment Strategic Investments (Cesil), the investment company within the Evergo Group controlled by Mr Thomas and Mr Joseph Lau, has surprised the Hong Kong stock market with the announcement of a rights issue to raise HK$393.5m (US$50m) via its new Bermuda-based holding company, Superford Financial Holdings.

The four-for-one rights issue, at 90 cents per share, comes in spite of the cancellation of several rights issues by other companies in the wake of the sharp drop in Hong Kong share prices over the past month.

It will be underwritten by Cesil's parent, China Entertainment and Land Investment, which will also take up its full entitlement to 47.9 per cent of the rights shares.

Around HK$100m will be used to finance further investments, while the balance will be used to repay part of a HK$448m interest-bearing loan from China Entertainment and Land.

Sale of HK Bond Centre stake nears completion

By Michael Marray in Hong Kong

THE SALE by Hong Kong-listed Bond Corporation International of its 50 per cent stake in the Bond Centre office building is proceeding on schedule and should be completed on Monday, Mr Peter Lucas, Bond International's managing director, said yesterday after an extraordinary general meeting at which the sale was unanimously approved by shareholders.

The buyer is EIE Development International, part of the Japanese EIE group, which originally bought a 50 per cent stake from Bond International in 1987, but agreed on May 11 to buy out Bond International for HK$2.26bn (US$290m).

After the events in Peking, and amid widespread fears of a drop in Hong Kong property prices, there had been speculation that EIE might wish to reconsider. But yesterday Wardley Capital announced it had arranged an 8½-year HK$2.05bn loan for EIE, comprising refinancing of existing facilities and new funds for the Bond Centre, with lenders including Hongkong and Shanghai Banking Corporation.

Bond Corporation Holdings owns 66 per cent of Bond International, and will receive HK$617m of the HK$935m special dividend to be distributed once the sale is completed. The sale marks the disposal of the last of the Hong Kong assets of Bond International, which now holds a stake in a big property development in Rome, part of the Chile Telephone Company (CTC) and a brewery in China.

Mr Lucas said there was a possibility that Bond International would gradually make a transition to being a listed property company, with an emphasis on such regional property markets as Thailand. Property trading has been its forte since it was listed in January 1987.

The company's assets in Hong Kong were bought for a total of HK$4.92bn and, after the Bond Centre sale, will have been sold for a gross consideration of HK$7.596bn over and above dividend and rental income of HK$291m.

Profit at Malaysian car maker

By Wong Sulong in Kuala Lumpur

PERUSAHAAN Otomobil Nasional, Proton, the manufacturer of Malaysia's national car, has reported a maiden pre-tax profit of 32m ringgit ($11.8m) for the year ended March, compared with a loss of 58m ringgit the previous year.

The main reason was the turnround in the Malaysian economy, which led to an upsurge in car sales. Proton was able to expand its share of the domestic car market to 73 per cent, from 65 per cent previously.

The profit reduced the company's accumulated losses to 137m ringgit.

Mr Mohamad Saufi Abdullah, executive vice president of Heavy Industries of Malaysia (Hicom), Proton's parent company, said Proton's profit for the current year was expected to be around 100m ringgit.

He added that the car manufacturer would be introducing a second working shift in August. This would increase production to 100,000 units a year from the current 60,000 units to meet both local and overseas demand. At present, local buyers have to wait for four months for the more popular models.

Proton is 70 per cent owned by Hicom and 30 per cent by the Mitsubishi Motor group of Japan. Its 560m ringgit plant outside Kuala Lumpur began commercial production in July 1985, at a time when Malaysia was in deep recession and, as a result, was not able to meet the production and sales targets.

Up to May this year, Proton had sold more than 112,000 cars in the domestic market, and 5,280 overseas.

The most promising overseas market currently is Britain, where sales for next year are expected to be around 12,000, 20 per cent higher than earlier projections.

New World shelves HK$1bn bond launch

By Michael Marray

NEW WORLD Development, the Hong Kong property developer, yesterday announced that it has shelved indefinitely the HK$1bn (US$128m) convertible bond it launched and then postponed in March.

It was originally postponed because the arranger, Paribas Asia, did not wish to be seen to be financing a hostile takeover bid for Wing On Holdings, the trading and retail company, announced simultaneously by New World, which has since lapsed.

Market operators said that investor response to the bond issue in March was poor, and since then share prices have plummeted in the wake of the crisis in China, leading to a cancellation of the whole exercise.

UK units lift Japanese securities firms

CONSOLIDATED recurring profits for Japan's Big Four securities houses showed a sharp rise yesterday, as earnings by their British subsidiaries showed healthy gains, and the US units put in markedly improved performances, writes Our Financial Staff.

Three of the four – Nomura Securities, Daiwa Securities and Nikko Securities – registered record recurring profits on an annualised basis in their overseas units in the irregular six-month period which ended in March. The improved performances were due mainly to increased commission income on management of rushed issues by Japanese businesses of dollar-denominated convertible bonds with stock-purchase warrants, and in bond-dealing profits.

Rationalisation efforts put the US units of both Daiwa and Nikko back into the black, after plunges in the previous year, while Nomura cut its losses from Y1.88bn to Y517m ($3.6m) and Yamaichi – the fourth-placed firm – cut its US losses from Y1.58bn to Y496m.

The firms forecast unchanged profit for the current year.

JAPANESE SECURITIES HOUSES' CONSOLIDATED RECURRING PROFITS IN 1989 (Ym)

		US unit profits (1988)	British unit profits (1988)
Nomura	268,786	-517 (-1,878)	12,329 (10,912)
Daiwa	168,121	-498 (-1,587)	7,015 (426)
Nikko	137,184	54 (-3,934)	6,128 (308)
Yamaichi	114,359	-496 (1,574)	3,044 (2,344)

INTERNATIONAL COMPANIES AND FINANCE

Bupa to buy HCA's UK hospitals

By Lisa Wood in London and James Buchan in New York

BUPA, Britain's largest independent health care organisation, is to buy the UK hospitals and nursing homes of Hospital Corporation of America for £92m ($142.6m) in cash.

The acquisition of 10 hospitals and seven nursing homes will consolidate Bupa's position as the second largest operator of private hospitals in the UK after Nuffield Hospitals.

The sale is the latest in a string of disposals by HCA to help finance the purchase of the company by its management. HCA, based in Nashville and up to recently the largest US hospital management chain, bought out its public shareholders in March in a $3.6bn management buy-out.

Earlier this month, the management, led by Mr Thomas Frist, completed the most important sale – of its psychiatric hospitals for $1.23bn. The sale enables HCA to pay off the most pressing commitments from lenders to the buy-out.

The sale has been agreed in principle, with completion of the transaction subject to the execution of a definitive purchase agreement. Bupa expects the transaction to be completed within 45 days.

The agreement also brings to Bupa Health Services, the Bupa subsidiary for hospital operations, a 26 per cent stake in Little Aston Hospital, near Birmingham. Bupa has already made a separate £7 per share offer for Little Aston Hospital – valuing it at £14m – and has received irrevocable commitments to sell from 54 per cent of shareholders, including HCA.

Bupa will also have the opportunity to acquire a 50 per cent stake held by HCA in a 161-bed hospital in Rome.

Mr Keith Biddlestone, assistant director (business development) of Bupa Health Services, said the HCA hospitals and nursing homes made a very good geographical fit with Bupa's 15 acute hospitals and four nursing homes. The HCA hospitals were in areas where Bupa did not have hospitals – including Cambridge, Hull, Southampton, Blackpool and Southend-on-Sea.

Mr Biddlestone said Bupa might not keep all the nursing homes because they straddled a number of market segments and Bupa was concentrating on the higher priced end of the sector.

Last Christmas Bupa, which opened its first new hospital in 1981, bought three hospitals from National Medical Enterprises, a US company, for an undisclosed sum.

The UK private hospital market grew rapidly in the early 1980s after the 1979-1981 boom in private health insurance. Growth in the sector has slowed down since then with a degree of rationalisation and consolidation.

Bank of Spain cracks down on debt deals

By Peter Bruce in Madrid

THE BANK of Spain appeared yesterday to have successfully cracked down on yet another effort to sidestep its tough reserve requirements when Banco Intercontinental Espanol (Bankinter) said it was suspending operations under which it has been selling public debt linked to repurchase agreements.

Mr Mariano Rubio, the central bank governor, warned on Tuesday night that the authorities might be forced to raise Spain's tough liquidity reserve requirements if certain banks did not stop inventing ways to get around them.

The Government recently increased these reserve ratios (the proportion of deposits lodged with the Bank of Spain) to 18 per cent in order to clamp down on credit, which is fuelling inflation in Spain.

But a number of banks have been selling *letras del Tesoro* (Treasury bills) to the depositors and promising to buy them back. The effect has been to take the deposit off the bank's books – and lower its reserve requirement.

It is not known how much money is involved, but Bankinter, the second largest bank in the Banco Santander group, is understood to have done a roaring trade using the system.

The central bank has hinted that it knows of other banks doing the same thing and further "withdrawals" are likely.

● Union Explosivos Rio Tinto (ERT), the Spanish chemicals group, and the fertiliser company Cros are to proceed with a planned merger after the Spanish Finance Ministry granted them tax exemptions, Reuter reports.

ERT said the Ministry would give 99 per cent tax exemptions on asset revaluations arising from the merger of the two companies, which will have combined sales of Pta350bn.

Nordstjernan advances 70%

By Robert Taylor in Stockholm

NORDSTJERNAN, Sweden's listed real estate and construction group controlled by the Johnson family, reports a 70 per cent rise in profits (after financial items) in the first four months to SKr468m ($70m) from SKr276m a year earlier.

Revenues for the January-April period also rose impressively, from SKr5.78bn to SKr7.03bn.

The group, which has interests in shipping, construction, property and steel, expects its property and construction activities to continue to grow this year but at a lower rate than in 1988.

It expects its other business concerns to produce better results than last year.

Skyscraper move muddies BfG results

By Haig Simonian in Frankfurt

BANK FUR Gemeinwirtschaft (BfG), the West German bank now majority-owned by the Aachener und Münchener insurance company, raised partial group operating profits by 4.3 per cent to DM268m ($136m) last year, confirming its gradual recovery under its new owner.

By contrast, partial operating profits at parent company level leapt by 58 per cent to DM247m compared to DM158m in 1987.

The difference in the rates of increase, which seriously impairs any assessment of the bank's performance last year, stems partly from its decision to defer until this year the receipt of its 1988 dividend from its new mortgage banking subsidiary.

However, by far the biggest influence behind the confusing figures is the highly complex sale of BfG's present Frankfurt headquarters, and its reinvestment in a new skyscraper, due to be completed around 1994.

As part of a painstaking arrangement to minimise tax liabilities, the BfG group has bought the present building from a subsidiary and other unnamed parties, depressing group earnings on account of the difference between the book and market value of the property.

Whether any one-off gain from the sale, said to have netted some DM650m, will show up in this year's accounts remains uncertain as BfG will endeavour to minimise the declared gain.

Interest income fell by 1.2 per cent to DM897m last year, while fee income remained unchanged at DM219m. The bank, which had to set aside an unspecified "three digit million D-Mark figure" for its role in rescuing the troubled Co op retailing group, nevertheless said provisions last year had been at their lowest level in its history. Total group assets rose by 8.4 per cent to DM69.3bn.

In the first five months of this year, partial operating profits were running below the corresponding level for 1988, said Mr Thomas Wegscheider, BfG's chief executive. Interest earnings have declined owing to continuing pressure on margins, while fee income has remained around last year's level, he said.

Flotation price values Pirelli Tyre at Fl 2.4bn

By Our Financial Staff

SHARES in Pirelli Tyre Holding will be floated at Fl 54 each on the Amsterdam Stock Exchange, giving the new unit that comprises the Italian concern's tyre operations a market value of Fl 2.4bn ($1.7m), lead manager Amsterdam-Rotterdam Bank said yesterday.

The final issue price for the 9m shares was just above the middle of an indicated Fl 48 to Fl 58 price range.

Applications for the stock opened yesterday and close at 1 pm GMT on June 29. Trading, at a nominal value of Fl 10 per share, will start on July 3. The payment date is July 11.

Pirelli Tyre Holding is being listed in Amsterdam instead of Milan where the Pirelli group is based, to avoid confusion with the Pirelli group's two existing Milan listings.

Amsterdam was also chosen because the Dutch bourse was well regulated and internationally oriented and offered a base for further distribution of the stock.

Pirelli Spa owns 78 per cent of Pirelli Tyre while Swiss-based Société Internationale Pirelli owns the remaining 22 per cent.

After the flotation, 20 per cent of Pirelli Tyre will be held by the new shareholders with the Milan-based Pirelli holding 65 per cent and the Swiss holding company 15 per cent.

Amro will act as regional lead-manager. Global co-ordinator is Morgan Stanley International, which is applying for a listing of the Pirelli Tyre stock on London's Stock Exchange Automated Quotation (Seaq) International service.

Pirelli is the world's fifth largest tyre producer with a 5 per cent market share and a 1988 turnover of $5.01bn. Operating profits were $207m last year, while net profits before minority interests totalled $108m.

Pirelli Tyre added that it expected profits and sales to rise this year. The company has 29 production plants in nine countries and employs 33,500.

Portugal plans laws to ease sales of state groups

By Diana Smith in Lisbon

THE PORTUGUESE Government plans privatisation laws that will encourage the sale of some state-owned companies by tender and greater flexibility about the proportion of shares Portuguese or foreign groups may own.

A big constitutional change approved on June 1 allows full denationalisation: until now only privatisation of a minority share has been possible. The law is expected to reflect this, and the Government of Mr Anibal Cavaco Silva recently revealed that, over the next six years, it plans to shed most of the banks, insurance companies, factories and transport companies that were nationalised overnight in the 1975 revolution.

Anibal Cavaco Silva: Portugal's Prime Minister

The state also plans to sell its majority or minority shares in dozens of financial or industrial enterprises, including leading concerns such as Cimpor (cement), Emninco (mining), Proalimentar (food processing), Soporcel (pulp), Imoleasing (property leasing), Nacional (foodstuffs), Sociedade Financeira Portuguesa, Centralcer (brewing) and Quimigal (chemicals).

So far, semi-privatisations have been made on the capital market. Foreign buyers as a whole can only hold 5 per cent of total capital of a privatised corporation; Portuguese groups or individuals cannot hold more than 10 per cent each.

Mr Luis Faria de Oliveira, Portugal's Treasury Secretary, said the new law would offer three forms of full or partial privatisation: public subscription; public auction on the capital market; and tender. The law would, he said, be more flexible about freezing transactions of shares sold at a discount to staff, emigrants and small savers and offer free shares if buyers agreed not to sell for a set period.

More flexible limits would be set on shares which Portuguese or foreign groups or individuals may hold. He did not specify what the new limits would be. Sale by tender, said Mr Faria de Oliveira, would be useful when state companies have specific technological or market needs: compatible groups of buyers could make joint bids and thus bring new life to a company.

Portugal's biggest stock market operation ever begins on Monday, when Banco Totta e Acores (BTA), the fourth-largest nationalised bank, offers 49 per cent of its capital, worth Es20bn (US$120m) in a subscription for staff and small savers and three public auctions for depositors, fund managers and the general public, between June 26 and July 12.

BTA earned Es750m in the first four months of 1989 – 166 per cent more than January to April 1988. Cash flow grew to Es5bn against Es2.9bn in January to April 1988.

COMPANY NEWS IN BRIEF

RHEINMETALL Berlin, the West German arms to vehicle parts maker, lifted 1988 group net profits to DM82.6m ($41.8m) from DM63.9m, as group sales rose from DM2.99bn to DM3.25bn, Reuter reports.

The company said that group sales in the first five months of this year were almost unchanged from the same period last year at DM906m. Mr Hans Brauner, managing board chairman, said that incoming orders increased 22.7 per cent over the same period to DM1.25bn, while orders in hand rose 11.5 per cent to DM3.34bn.

Rheinmetall was looking for a partner for its Pierburg car components unit after buying a 20 per cent stake from Robert Bosch, and was negotiating with two or three companies, he said. Mr Brauner said that Pierburg's problems were caused by the planned introduction of stricter EC car exhaust emission rules.

● Agence Havas, the French advertising group, says it will raise its capital via an issue of new shares with warrants attached but gives no further details.

The company says that the Havas board has decided to proceed with the issue after yesterday's shareholders' meeting. The meeting voted to allow the group to raise up to FFr7.5bn ($1.1bn) in new funds and to increase share capital to a maximum of FFr550m.

● Legrand, the French electrical company, said it will acquire a 45 per cent stake in the capital of Bassani Ticino of Italy under an agreement between the two electrical concerns.

Financial details of the transaction were not disclosed, but industry observers said that Legrand's investment would be about FFr1bn ($149m). Ticino is Italy's leading manufacturer of low-voltage electrical equipment. It reported consolidated sales equivalent to FFr2bn last year.

Legrand said that the partners intend to strengthen their technological, commercial and geographical co-operation. Ticino is present in several countries from which Legrand has been absent up to now, notably in South America.

● Club Med, the French tourism group, lifted group net profit for the first half of 1988/89 by59 per cent from FFr75.5m ($11.3m) to FFr120m.

It also said that its US unit Club Med had group net profit in the same period of $23.01m against $15.58m. Turnover rose 15.8 per cent to $269.11m.

● Tabacalera, the Spanish state-owned tobacco group, lifted 1988 group net profit to Pta9.78bn ($77.8m) from Pta5.80bn in 1987. Pre-tax profit rose to Pta12.56bn from Pta8.64bn. The company said that Pta6.37bn carried over into reserves last year, against Pta3.28bn in 1987.

INTERNATIONAL CAPITAL MARKETS

US bonds rebound despite continued dollar weakness

By Janet Bush in New York and Stephen Fidler in London

US TREASURY bonds yesterday recouped Wednesday's losses, which were in response to weakness in the dollar, in spite of another weak showing by the US currency.

At midsession the Treasury benchmark long bond was

GOVERNMENT BONDS

quoted ⅜ point higher, reversing the loss of ⅜ point on Wednesday and taking its yield back down to 8.29 per cent from 8.33 per cent. Fed funds were quoted firm at midsession at 9⅝ per cent.

The dollar continued its steady decline this week against the Japanese yen, to be quoted at Y141.25 at midsession. It proved more resilient against the D-Mark, however, and was quoted near to its New York highs at midsession at DM1.9620.

The difference between the dollar's performance against these two currencies appears to lie in reports that the Bank of Japan intervened against the currency in Tokyo while the Bundesbank was not sighted in the open market.

Yesterday's release of final figures for first-quarter US gross national product sent a mixed signal to the markets, with growth revised upwards to a seasonally adjusted annual real rate of 4.4 per cent, compared with 4.3 per cent reported earlier.

However, both inflation indicators were revised downwards and it was these figures which caught the attention of the market.

Traders later attributed the bond rally to the downward revision.

The implicit price deflator was revised downwards to a gain of 3.6 per cent, compared with 3.9 per cent reported earlier, while the fixed weight deflator, regarded as a more accurate measure of underlying inflation trends, was revised down to a rise of 4.6 per cent, from 5 per cent reported earlier.

Today sees the release of May durable goods orders which are expected to have risen by only 0.1 per cent, compared with the huge 3 per cent jump in April. Personal income and consumption are expected to show only modest rises of 0.4 per cent and 0.2 per cent respectively.

■ THE US dollar's initial weakness led to an early modest rally in the West German government bond market, but this proved short-lived.

The volatility of the currency markets has led many investors to be cautious about the German bond market. In fact the dollar moved through its two pfennig range against the D-Mark twice during the course of the day. As soon as the dollar started to rally, bunds moved significantly lower.

The decline appeared to be largely led by trading on the London International Financial Futures Exchange, since the cash market was generally quiet.

The September bund future approached contract highs in the morning, a level many see as an important technical barrier, peaking at 95.40. It finished near the lows of the day at 94.85, down about 40 pfennigs.

The German market largely set the tone for other European markets, including that in the Netherlands.

However, the Dutch market appeared better supported domestically, following the sale of Fl 3.2bn of state bonds earlier in the week. Some dealers appeared to be covering short positions following a smaller allocation of bonds than was earlier expected.

The French market continues to be pulled between its West German and US counterparts which, since they are following currency movements, often move contrary to each other.

Prices were up to 10 centimes higher on the day.

■ The disclosure that an official dock strike could start in the UK on July 8 put late pressure on sterling, which fed into a lacklustre government bond market.

Trading had been extremely light, but prices eroded after the close of Liffe. Prices ended the day up to a quarter point down, with investors still nervous about the likelihood of further interest rate rises and the vulnerability of sterling.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	105-03	+0/32	11.86	11.63	11.27
	8.750	1/98	94-19	-3/32	10.73	10.82	10.41
	9.000	10/08	93-29	-4/32	9.70	9.77	9.39
US TREASURY *	9.125	5/99	105-06	+10/32	8.33	8.26	8.00
	8.875	2/19	106-05	+11/32	8.31	8.23	8.61
JAPAN No 111	4.600	6/98	95.0119	+0.544	5.43	5.54	5.42
No 2	5.700	3/07	104.8088	+0.086	5.16	5.21	5.12
GERMANY	6.375	11/98	101.3000	-0.300	6.71	6.68	6.87
FRANCE BTAN	8.000	1/94	95.8212	-0.123	8.90	8.85	8.94
OAT	8.125	5/99	98.8500	+0.030	8.63	8.60	8.78
CANADA *	10.250	12/98	104.2500	-0.125	9.55	9.36	9.70
NETHERLANDS	6.750	10/98	96.9750	-0.200	7.14	7.08	7.47
AUSTRALIA	12.000	7/99	91.3834	+0.303	13.60	13.73	13.64

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Zurich SE banks agree compromise over fees

By John Wicks in Zurich

MEMBER banks of the Zurich stock exchange plan a series of revisions to their convention on brokerage fees in a move aimed at heading off criticism from the Swiss cartel authorities.

Proposals made recently by the federal cartel commission recommended the abolition of the convention in an attempt to make Swiss bourse fees more freely negotiable.

While a large majority of the stockbroking banks are opposed to negotiable fees on all transactions they have voted for a compromise. The planned moves will now be discussed with other Swiss Stock Exchange organisations.

The Zurich SE argues that its proposals mark a more flexible approach. The minimum limit for freely negotiable fees is to be lowered from SFr2m to SFr500,000 ($294,000).

The banks have also voted to abolish the basic fee of SFr6,200 on big transactions and to scrap the minimum brokerage rate of between SFr10 and SFr30 on small transactions.

However, the members have dug their heels in over business between members. They opposed a move to free brokerage in transactions with other banks and dealers.

At the same time, it has been decided to accord to "professional dealers abroad" the same rights as Swiss banks and traders.

Berliner Bank in venture with Kuwait investor

By Leslie Colitt in Berlin

BERLINER BANK has formed a joint venture with the Kuwait Investment Authority (KIA) to channel investment into medium-sized West German and other European companies.

The new company, to be based in West Berlin, was formed in conjunction with the Kuwait Foreign Trading Contracting and Investment Company, an investment bank controlled by KIA which has a 50 per cent shareholding.

With an eye to 1992 and the formation of a single European market, the venture will initially provide DM50m ($25.5m) to invest in companies which have growing capital needs. Commitments of half this amount have already been made and additional investors are said to have shown interest.

The joint company will be involved in direct investment and business consulting, mainly for customers in the Near and Middle East.

Berliner Bank, which is still principally owned by the city of West Berlin, says it expects a big expansion of its successful business relations with the Gulf States and, in particular, with Kuwait.

KIA is a public institution directly responsible to the Ministry of Finance. It administers Kuwait's reserve funds and is largely engaged in investments outside the country.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅞ 95	600	101⅝	102	-0⅛	-0⅞	8.95
Austria 9⅝ 93	140	101⅛	102	-0⅛	-0⅛	9.07
B.F.C.E.-7 92	150	94⅝	95⅛	0	-0⅛	9.15
B.F.C.E. 9⅛ 95	150	100⅞	101⅛	-0⅛	-0⅞	9.02
Brit. Tel. Fin. 9⅛ 98	250	101⅜	102⅛	-0⅛	-1⅛	9.03
BP America 9⅞ 99	250	103⅝	104⅛	-0⅛	-0⅞	9.12
Canada 9 96	1000	101⅛	102	-0⅛	-1	8.65
Canadian Pac 10⅜ 93	100	†101⅛	102⅜	0	+0⅛	10.03
C.C.C.E 9⅞ 95	300	100⅞	101⅛	-0⅛	-0⅞	9.00
C.N.C.A 9⅞ 93	150	100⅛	100⅝	-0⅛	-1⅛	6.26
Credit National 8⅛ 93	200	96⅞	97⅜	-0⅛	-0⅝	9.16
Credit National 7⅝ 92	100	95⅛	95⅞	-0⅛	-0⅝	9.18
Credit National 9½ 92	160	101⅛	101⅞	-0⅛	-0⅛	8.91
Dai-Ichi Kan 9⅝ 92	150	100⅝	101⅛	-0⅛	-0⅛	9.27
Denmark 7⅛ 92	500	94⅞	95⅛	-0⅛	-0⅛	9.27
E.E.C. 7 91	100	95⅛	95⅞	0	-0⅛	9.03
E.E.C. 7⅛ 93	250	94⅛	94⅝	-0⅛	-0⅛	9.04
E.E.C. 10 93	140	103	103⅛	-0⅛	-0⅝	8.96
E.I.B. 9⅝ 97	150	102⅛	102⅛	-0⅛	-1⅛	8.94
Eurofima 10⅛ 93	100	†103⅜	103⅞	-0⅛	-0⅞	8.96
Elec. De France 9 98	200	99⅞	100⅜	-0⅛	-0⅞	8.97
Elec. De France 9½ 99	200	102⅛	103⅛	-0⅛	-0⅛	9.01
Finland 7⅞ 97	200	94⅛	94⅞	0	-0½	8.86
Finn.Exp.Cd. 8½ 92	200	98	98½	-0⅛	-0½	9.22
Finn. Exp. Cd. 9⅜ 95	200	100⅛	101⅛	-0⅛	-1	9.14
Ford Motor Credit 8 91	250	†97½	98	0	-0½	9.41
Ford Mtr.Cred. 10 94	200	102⅝	103⅛	0	—	9.24
Gen.Elec.Cap.Corp. 9 93	500	†99⅞	99⅝	0	-1⅛	9.15
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅜	102⅛	0	-0⅝	9.15
Gen.Mtrs.Corp. 9⅛ 92	200	99⅛	99⅞	0	-0⅝	9.31
IBM Credit Corp. 8⅞ 91	250	99⅝	99⅞	+0⅛	-0⅝	9.01
IBM Credit Corp. 9½ 92	250	101	101½	-0⅛	-0⅛	8.91
IBM Credit Corp. 10 92	200	102½	103	0	-0⅛	8.86
Italy 9½ 95	1000	101⅞	102⅜	-0⅛	-0⅛	9.03
Italy 9⅝ 99	1000	†103⅜	103⅞	-0⅛	-1⅛	9.03
Japan Dev. Bank 10 96	200	104⅞	105⅜	-0⅛	-0⅛	8.99
L.T.C.B. of Japan 9⅛ 92	200	99⅞	100⅜	-0⅜	-0⅝	9.17
Metropolis Tokyo 9½ 93	200	100⅞	101⅜	-0⅛	-1⅛	9.08
Nippon Tel.&Tel. 9⅜ 98	250	102⅛	102⅝	-0⅛	-1⅛	8.98
Norway 8⅛ 93	500	98⅞	99⅜	-0⅛	-0⅝	9.01
Portugal 8⅛ 91	300	†97⅜	97⅞	-0⅛	-0⅛	9.75
Prudential Crp. 8⅞ 94	125	99⅛	99⅞	0	-1⅛	8.87
State Bk S Aust 9⅛ 93	100	†99⅞	100⅜	0	-0½	9.18
Sumitomo Bank 9⅝ 92	150	†100⅝	100⅞	-0⅛	-0⅞	9.36
Sweden 7 91	250	95⅝	96⅛	0	-0½	9.04
Sweden 8⅞ 96	200	99	99½	-0⅛	-0⅞	8.89
Sweden 8½ 92	200	†97⅞	98⅛	0	-0⅛	9.24
Toyota 9½ 91	200	100⅝	101⅛	-0⅛	-0⅛	9.04
Victorian Rep 11⅜ 92	150	105⅜	105⅞	-0⅛	-0⅝	9.32
World Bank 7 92	300	†95⅛	95⅝	-0⅛	-0½	9.04
World Bank 9 97	300	100⅛	100⅝	-0⅛	-0⅛	8.92
World Bank 9 93	300	100	100⅝	-0⅛	-0⅞	8.95
World Bank 9⅛ 98	300	101⅝	102⅛	-0⅛	-0⅛	8.93
World Bank 9⅝ 99	500	104	104⅜	-0⅛	-1⅜	8.93
World Bank 9⅞ 96	300	103⅞	104⅛	-0⅛	-0⅛	0.48

Average price change... On day -0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	95⅝	96⅛	0	+0⅜	6.92
Austria 6⅛ 99	750	†99	99⅛	-0⅛	-0⅛	6.87
Bank of Tokyo 5⅞ 93	100	†94⅞	95⅛	+0⅛	+0⅛	7.33
Commerzbank o/s. 5⅝ 93	300	95⅝	95⅞	0	+0½	6.79
Credit Foncier 6⅞ 99	500	†98⅞	99⅛	-0⅛	-0⅞	7.89
Degussa Int. 6⅛ 97	200	95⅞	96⅜	+0⅛	+0⅛	6.76
E.I.B 5½ 98	150	90½	91	0	+0⅛	6.93
E.I.B. 6⅛ 99	600	95½	95⅞	0	+0⅛	6.88
E.I.B. 6⅛ 96	300	96	96½	0	-0⅛	6.81
E.I.B. 6½ 99	300	†97	97½	-0⅛	-0⅛	6.89
E.I.B. 6⅞ 95	300	100⅝	101⅛	0	-0⅝	6.69
Euro.Coal& Steel 5⅞ 97	175	93⅛	94	-0⅛	0	6.95
Eurofima 6⅛ 96	100	95⅝	96⅛	+0⅛	+0⅜	7.02
Elec De France 5⅞ 97	300	93⅛	93⅝	0	+0⅜	6.85
Forsmark Krig. 5⅛ 93	200	93⅝	94⅛	0	-0⅛	7.06
Hydro-Quebec 6⅛ 99	300	†99	99⅜	-0⅛	-0⅛	6.87
Japan Dev. Bk. 5⅜ 95	300	†94	94½	+0⅛	-0⅛	6.59
Japan Finance 5⅞ 97	100	93⅛	93⅝	+0⅛	+0⅜	6.88
Ireland 6½ 97	300	96	96½	+0⅛	+0⅛	7.14
Malaysia 6⅛ 94	150	96⅛	96⅞	0	0	7.10
Nat. West BK. PLC 6 98	300	†93⅛	93⅝	0	+0⅜	7.03
N.H.L. Finance 6⅛ 95	200	†94⅛	95⅛	+1	+1⅛	7.24
Nippon Telg.&Tel. 6 95	400	†95⅞	96⅛	0	+0⅛	6.36
Oesters. Kontbk. 5 93	300	95	95½	0	-0⅝	6.51
Portugal 5⅞ 92	150	96½	97	0	-0⅛	6.94
Portugal 6⅜ 95	150	98⅛	98⅝	+0⅛	0	6.93
Privatbanken 5⅛ 93	150	93⅞	94⅜	0	+0⅛	7.11
Royal Insurance 5½ 92	300	96⅛	96⅝	-0⅛	0	6.96
Soc Cent Nuclear 7⅛ 95	150	100	100½	0	+0⅜	7.20
Turkey 6½ 95	500	†94½	95	0	+0⅛	7.64
Union Bk.Finland 5½ 94	200	†95½	96	+0⅛	+0½	6.59
Westlb. Finance 5 93	200	*93⅛	93⅞	0	+0½	7.05
World BK. 6⅛ 97	600	97⅞	98⅛	+0⅛	+0⅛	6.70

Average price change... On day +0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†94⅞	95⅛	+0⅞	+0⅝	5.88
Asfinag 5 03	100	†92	92⅛	-2⅜	-2⅛	5.83
B.F.C.E. 4½ 98	200	†92	92⅞	+0⅛	+0⅞	5.59
B.M.W. Fin.Neth. 5 13	150	†88½	88⅞	-0⅝	+0⅞	5.90
Britannia B/S. 4⅞ 94	100	†92⅛	92⅝	+0⅛	+0⅛	6.04
CIR. Int. W/W 3 93	125	†93½	93⅞	0	+2½	4.75
Credit Lyonnais 4⅛ 00	100	†90½	90⅞	+0⅛	+0⅜	5.94
E.I.B 4⅝ 98	150	†91⅜	92	+0½	+1½	5.81
Fletcher Chall. 4⅞ 98	150	†90	92	+0⅛	+2	6.23
Kobe City 4⅝ 98	150	†92⅛	92⅞	-0⅛	+0⅛	5.71
Leeds Perm. B/S. 4⅛ 93	200	†93½	94	0	0	6.00
Malaysia 5⅛ 98	100	†88	88⅛	0	-3⅞	7.07
Maxwell Comm.Crp. 5 95	150	†90⅞	91	+0⅜	+0⅝	6.91
Nat.Bk. Hungary 5½ 94	75	†94	94½	0	-0⅛	6.78
Nationwide Ang.B/S. 4 93	200	†92	92½	+0⅝	+0½	6.26
Nippon Telg.&Tel.4⅛ 95	200	†93½	93⅞	+0⅜	+0⅝	5.49
Oesters.Ktbk. 5 03	75	†92	93⅛	-0⅛	+1⅛	5.78
Prov. Newfoundland 5 03	150	†92	92⅛	-0⅛	+0⅝	5.81
Thailand 4⅝ 95	200	†91	93	0	0	6.25
World Bank 5 03	150	†94	95	0	0	5.57

Average price change... On day +0 on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101	101⅛	0	+0⅛	5.38
Canada 5⅝ 95	80	101	101⅛	+0⅛	+0⅛	5.31
Eurofima 5 1995	20	97⅞	98⅛	+0⅛	0	5.38
E.I.B. 4⅞ 93	30	98⅛	98⅝	+0⅛	+0⅝	5.40
Ireland 5⅛ 93	30	99⅜	99⅞	+0⅛	+0⅛	5.23
Norway 5⅛ 95	50	98⅞	99⅛	+0⅛	+0⅛	5.33
Sweden 4⅝ 93	50	97⅛	97⅝	+0⅛	+0½	5.35
World Bank 5⅛ 98	10	97½	98⅛	+0⅛	0	5.45
World Bank 7 94	20	106½	107	+0⅛	+0⅛	5.38

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅛ 93 £	50	93⅛	93½	0	-0⅝	12.63
Abbey Nat. 11⅜ 95 £	100	97	97½	-0⅛	+0⅛	12.29
Aegon 7⅛ 92 FL	100	101⅛	101⅝	-0⅛	+0½	7.79
Alg. Bk. Ned. 5⅞ 93 FL	200	94⅜	94⅞	+0⅛	+0½	7.48
Austria 7½ 94 ECU	100	95⅝	96½	0	-0⅛	8.58
Bk.Nova Scot.14⅜ 90 A$	75	95	95⅜	0	-0⅛	18.11
Barclays Aus.13½ 91 A$	100	94⅛	94⅞	0	+0⅛	16.35
Belgium 8⅞ 94 Ecu	150	97⅞	98⅛	-0⅛	-0⅛	8.64
BP Capital 9⅞ 93 £	100	92½	93	0	+0⅝	12.21
British Airways 10 98 £	100	88⅞	89⅜	0	+0⅜	12.06
Buhrmann-Tet. 6⅞ 93 FL	100	95⅛	95⅞	+0⅛	+0⅛	7.70
Comm.Bk.Aust. 12⅝ 93A$	100	†93	93½	0	0	15.00
Cr.Local France 9⅛ 92Ecu	100	101⅛	101⅞	-0⅛	-0⅛	8.65
Deut.Bk.Aus. 13⅜ 93 A$	125	94⅞	95⅛	+0⅛	+0⅞	14.92
Deutsche Bk.Fin. 15 94 A$	100	101⅝	102⅛	-0⅛	-0⅛	14.40
Eastman Kodak 13 90 A$	100	95	95⅜	0	0	17.80
E.I.B. 7 96 LFr	100	†96⅝	97⅝	0	+0⅛	7.56
E.I.B. 9 99 Ecu	150	101⅞	102⅜	-0⅛	+0⅛	8.66
Eurofima 7⅜ 94 Ecu	100	95⅝	96⅛	-0⅛	-0⅝	8.73
Export Dv.Crp.8⅞ 92Ecu	100	99⅞	100⅜	-0⅛	-0⅛	8.68
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†98⅛	98⅝	0	-0⅛	10.41
Fed.Bus.Dv.Bk.10⅜ 93C$	50	100	100½	0	-0⅝	10.41
Ferrv. Statb 7⅞ 93 Ecu	100	96⅛	96⅞	0	-0⅜	8.79
Ford Cr.Can.10⅜ 93 C$	100	†100½	101	0	-0⅛	10.45
Ford Cred.Can.10⅞ 96C$	125	†103⅜	103⅞	-0⅛	+0⅜	10.08
Ford Mtr.Cred.7⅞ 93Ecu	100	96⅞	97⅜	0	+0⅛	8.81
G.M.A.C. 9⅞ 93 C$	150	†96⅛	96⅞	0	-1	10.85
Heineken 7⅝ 94 FL	150	100⅝	101⅛	0	+0⅝	7.70
Hydro-Quebec 11 99 C$	400	104⅛	104⅜	-0⅛	-0⅝	10.26
Lloyds Bank 10⅛ 98 £	150	89⅞	90⅜	-0⅛	+0⅜	12.12
Lloyds Bank 11⅜ 98 £	100	93⅞	94⅛	0	+0⅜	12.46
Montreal Tst.10⅛ 93 C$	100	†98⅞	99⅜	0	-0⅛	11.02
Morgan Guar.Tst. 11 91 C$	150	†99⅛	99⅞	-0⅝	-0⅝	11.26
Nat. Aus. Bk. 14⅛ 94A$	100	99⅛	99⅞	0	+0⅜	14.83
New Zealand 9½ 93 £	100	91⅛	91⅝	0	+0⅜	12.43
Philips Gleoil. 6 93 FL	300	95⅛	95⅞	0	+0⅝	7.26
Privatbanken 7½ 94 LFr	500	†98	99	-0⅛	+0⅛	7.88
Royal Bk.Scot.10⅝ 98 £	125	92⅛	92⅝	0	+0⅜	12.09
Saskatchewan 9⅞ 91 C$	150	†98⅛	98⅞	0	-0⅛	10.62
Saskatchewan 10⅛ 93 C$	200	†99⅞	100⅜	0	+0⅛	10.18
State Bk.NSW. 13⅞ 93A$	100	94⅛	95⅛	0	+0⅛	15.43
Sweden 15 94 A$	100	101⅝	102⅛	0	-0⅛	14.37
Toyota Mtr.Cr.11⅜ 92C$	150	101⅛	102⅛	-0⅛	-0½	10.58
World Bank 13⅜ 92 A$	100	98⅞	99⅜	0	+0⅞	15.71
Zentrspk. 13⅛ 93 A$	75	†94½	95	-0⅛	-0⅝	14.94

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.95	100.00	18/07	13.08
Bank of Greece 99 US	0⅛	99.74	99.84	8/09	10.62
Belgium 91 US	0	100.21	100.31	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.84	99.89	30/08	14.06
Credit Foncier 98 US	.063	100.26	100.36	20/10	10.16
Dresdner Finance 99 DM	.031	99.94	100.04	27/07	6.59
EEC 3 92 DM	0	100.52	100.62	20/08	5.63
Halifax BS 94 £	.1	99.95	100.00	6/08	12.97
Invt. In Industry 94 £	0⅛	99.98	100.08	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.10	100.14	13/07	13.34
Midland Bank 01 £	.1	98.37	98.67	11/08	12.97
Milk Mkt.Brd. 5 93 £	0⅛	100.03	100.08	30/06	13.06
New Zealand 5 97 £	.07	99.98	100.08	22/08	13.19
State Bk. Nsw. 98 US	.188	100.47	100.57	11/08	9.87
Woolwich Equit.BS. 93 £	0⅛	100.11	100.16	13/07	13.57
Woolwich 5 95 £	0⅛	99.98	100.03	22/08	13⅛

Average price change... On day +0.00 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02 US	8/87	62.	115½	116½	0	8.97
Amer. Brands 7⅞ 02 US	9/87	56.7	124⅞	125⅜	-0⅛	1.88
Ashikaga Bank 2⅛ 02 US	4/87	967.	129⅝	130⅝	+4⅝	6.11
Asics 5 92 DM	†12/83	472.7	255	256	+0⅛	6.85
CBS. Inc. 5 02 US	4/87	200.	102⅛	103⅛	0	3.27
Primerica 5½ 02 US	4/87	66.75	68	69	-0⅛	97.68
Eng.China Clay 6½ 03 £	9/88	4.8	103⅜	104⅜	+1½	4.53
Fujitsu 3 99 US	5/84	1106.	223⅜	224⅜	+2⅞	-1.91
Land Secs. 6⅛ 02 £	6/87	6.72	96⅛	97⅛	-0⅛	11.71
Minolta Camera 2⅛ 94DM	2/86	1004.	111½	113	+0⅜	8.05
MCA Inc 5½ 02 US	9/87	69.62	96⅞	97⅞	-0⅛	12.75
Mitsubishi Bk. 3½ 04US	5/89	3266.	93½	94½	+1⅛	4.72
Mitsui Trust 2⅛ 01 US	10/86	1903.	118⅛	119⅞	+2⅛	3.36
Nat Plc 5⅛ 03 £	11/87	4.3	98⅛	99½	+8⅛	208.48
Nikl Nipp.Bk.2⅞ 05 US	4/88	804.	113⅞	114⅞	+1⅞	-5.00
Omron Tateisi 2⅛ 02 US	4/87	1310.	268⅛	269½	+1½	-0.99
Ranks Hovis 4⅜ 03 £	1/88	3.5	128	129	-0⅛	-2.02
Rolland 7⅛ 02 £	†1/87	5.4	104⅛	105⅛	0	1.55
Saatchi&Saatchi 6⅛ 03 £	±10/89	4.41	91	92	0	27.69
Sumitomo Bank 3⅛ 04 US	2/89	4296.	83	84⅛	-1⅞	16.49
Texas Inst. 2⅞ 02 US	9/87	82.87	75⅛	76⅛	0	53.57
W.R. Grace 6⅛ 02 US	9/87	42.12	94⅛	95⅛	-0⅛	22.65

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES AND FINANCE

Investor ready to rescue Integrated

By Janet Bush in New York

MR ROBERT Bass, the Texas investor, has emerged as a possible rescuer for Integrated Resources, the real estate and insurance company which effectively defaulted last week on more than $955m of short-term debt.

Mr Bass, who recently took over American Savings Bank, the troubled California savings and loan, put his proposal to Integrated Resources this week. He is reported to be prepared to invest around $100m to $200m to assume control of the company.

His plans are conditional on holders of Integrated's debt and common stock accepting a restructuring. The company, which has around $1.8bn in total debt, has declined to comment on the proposals.

Mr Bass's interest is believed to be in Integrated's network of around 4,500 financial consultants selling real estate investments, insurance and leveraged buy-out investments.

Integrated's slide into a liquidity crisis, after being hailed as a story of success financed by high-yield bonds at Drexel Burnham Lambert's annual junk bond conference only three months ago, has been alarmingly swift.

The company said on June 14 that it could not sell any more short-term commercial paper and, the next day, halted principal and interest payments on all its holding company's debt pending a meeting this Monday with commercial paper holders and its bank lenders.

It asked holders of $955m worth of commercial paper and bank demand loans to accept new, longer-term securities.

The value of Integrated's stock and bonds has plummeted since last week. Yesterday, its opening on the New York Stock Exchange was delayed because of an order imbalance. The last quoted price is $4⅞, compared with a peak of $18 which came only last month.

According to analysts, if the Bass proposal is not accepted, Integrated could be forced to file for protection under Chapter 11 of the bankruptcy code.

Integrated's troubles, Page 37

Eastern applies to break pilots' contracts

By Roderick Oram in New York

EASTERN Air Lines has asked a bankruptcy court for permission to break its labour contract with striking pilots – a strategy that its parent, Texas Air, used six years ago to defeat pilots at Continental Airlines, its other operating subsidiary.

"This is not a union-busting tactic," said Mr Harvey Miller, Eastern's head bankruptcy lawyer. "It is one caused by an economic problem."

Eastern has operated less than 10 per cent of its flights since its pilots backed a machinists' strike in March. The company is selling assets, paying off debt and hiring new pilots to try to build up through the summer to about two thirds of its old schedule.

To help it return to profit as a smaller carrier, Eastern says it needs labour concessions. It wants to cut pay by 10 per cent for the first six months after a pilot returns to work, 5 per cent in the second six months and postpone holidays for a year.

It also wants to increase pilots' flying time to 88 hours a month next year and 60 hours in subsequent years from 46 hours under the existing contract.

The Air Line Pilots Association reacted angrily to Eastern's application, saying it would fight the issue in court.

Eastern is planning to present its reorganisation plan to the court by July 7, after which deadline other parties would be free to present their own plans.

Mr Frank Lorenzo, Texas Air's controversial chief executive, rebuilt Continental using this bankruptcy court technique. Outrage about the contract breaking prompted changes in federal laws which make it harder to employ the same tactic again.

Inco strikes gold through nickel

Kenneth Gooding finds a metal producer enjoying buoyant prices

Fresh from handing out US$1.05bn to shareholders through a controversial special dividend, and another $56m in bonuses to employees for the 1988 financial year, Mr Donald Phillips, chairman of Inco, the Canadian metals group, has been talking about where his group is heading next.

Inco was able to make such huge handouts because it is the world's largest nickel producer and nickel prices have been near record levels for about 18 months.

Mr Phillips says that in five years' time "Inco will be what it is today – the lowest-cost nickel producer in the world, producing about one third of the world's nickel.

"We will get there by spending to keep production at about 450m lbs [of nickel] a year at the lowest cost we can achieve.

"If we have that kind of production we must also ensure that we can market 400m lbs a year – even in economic downturns."

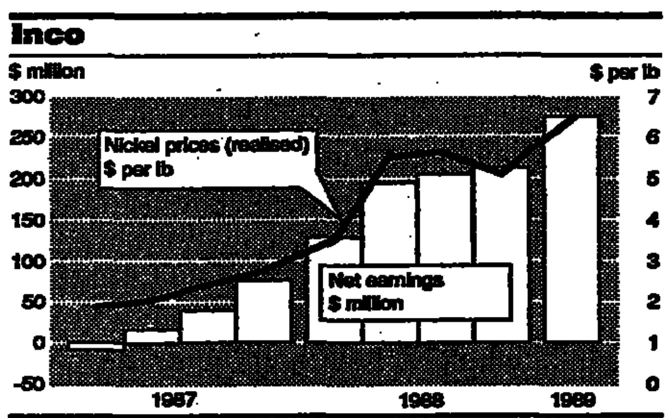
That is why Inco has been tempting nickel users with long-term contracts containing clauses to stabilise prices. Current contracts put a ceiling price of $4.50 a lb on Inco's nickel and a floor price of $2.50. Fluctuations within these limits are based on the London Metal Exchange's cash price, currently about $5.50 a lb.

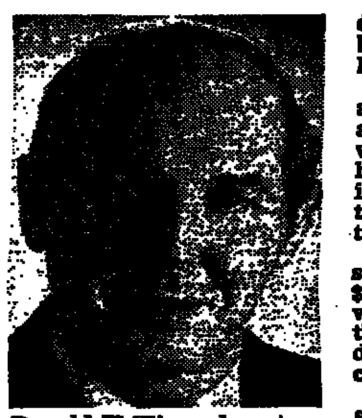
So far Inco has lined up long-term contracts with stainless steel producers for about 100m lbs a year and for another 100m lbs with customers that have high-nickel alloy operations. Another 40m lbs is nickel of a type unique to Inco.

"So we have over half the 400m lbs firmly committed. And if we have 50 per cent sold under long-term contracts, the rest could be sold even in a deep recession – and we don't see a deep recession in the next five years."

However, Mr Phillips says there will be differences in Inco's make-up in five years.

- It will have a bigger share of nickel sales in the Pacific rim area, thanks to an expansion by one-third in the capacity of its PT Inco subsidiary in Indonesia.
- Its alloys division, producing more than 100 wrought and mechanical alloyed compounds, many of which are proprietary to Inco, "will be larger and more profitable," insists Mr Phillips.
- The Inco Gold subsidiary will be producing at least 500,000 troy ounces of gold a year – "and possibly double that amount." Inco may also have floated off part of its gold business. "You can often get more for equity in a gold company than for the gold itself," he points out.





Donald Phillips: plans to keep Inco top in the world

Mr Phillips says that no new gold mine will be brought on-stream by Inco unless cash costs can be kept below $200 an ounce.

Inco's five-year strategy will absorb a lot of cash. "If we have any money left over we will look at the possibility of paying another special dividend or instituting a share buy-back programme," says Mr Phillips.

He obviously prefers to look ahead rather than ruminate about the past year, during which the Inco management has been criticised for a lack of imagination in dealing with the extraordinary profits from the nickel price boom.

It also ran foul of some shareholders for linking its $10-a-share special dividend with a "poison pill" scheme – the first attempted by a Canadian company and so doubly controversial.

Mr Phillips prefers to call the scheme "a shareholders' rights plan" because "while the plan does not prevent a takeover, it encourages anyone seeking to acquire the company to make an offer of fair value to all shareholders."

He points out that two ballots on the issue each produced support from more than 70 per cent of shareholders who voted.

But the controversy is not dead. The Caisse de Depot de Placement du Quebec, which invests Quebec pension and insurance plan contributions and holds about 3 per cent of the Inco capital, has asked a court to overturn the decision.

Criticism over Inco borrowing about half the cash needed for the special dividend is now more muted. That exercise sent Inco's debt-to-equity ratio up from nil to 68 per cent as many observers believed the nickel price was about to crash.

However, the management's faith in the metal's performance has paid off. The debt:equity ratio is back to 45 per cent and by the end of the year, says Mr Phillips, will be at 35 per cent, which he considers is most comfortable.

Some analysts believe that the Inco management was not clever when negotiating the latest pay deal, which resulted in the hourly-paid workforce receiving some quarterly bonuses of more than C$2,500.

Mr Phillips points out that the bonus scheme can be renegotiated when the present three-year contract ends, and is related to Inco's realised price – not the London Metal Exchange price. Bonuses are eliminated if that realised price falls below $2.25 a lb.

"If the nickel price drops to rock-bottom levels at least we have a cushion of $56m we won't have to pay," he says.

Inco has also been taken to task for not using its cash to widen its base by acquisitions. Mr Phillips suggests that Inco wants to "stick to its knitting" and is not interested in diversification for the sake of it.

The alloys business might offer scope for acquisitions, but there would have to be synergy between the operations to be bought and Inco's own. "We don't want to duplicate capacity."

There are no bargains to be had at the moment, according to Mr Phillips, particularly when any potential acquisition has to be able to achieve the 15 per cent return on equity that Inco sets itself.

Mr Phillips says that Inco considered using its mining expertise for a wider group of base metals. "We studied copper, lead and zinc and the fundamentals were not as good as those for nickel. We will stay with the best metal."

To this end Inco's annual exploration budgets include $14m to $20m for searching for nickel outside the areas where it is being mined. Included in that budget is money for Inco's platinum search - Mr Phillips believes the prospects are good for a platinum mine in the nickel-rich Sudbury area of Canada. Meanwhile gold is not forgotten. Inco is spending $30m this year looking for more of the yellow metal.

Mack Trucks expects loss for first half

MACK Trucks, the US heavy truck manufacturer, expects to suffer a loss for the second quarter and first half of the current year, AP-DJ reports.

Renault Vehicules Industriels, the commercial vehicle subsidiary of the French state-owned car group, holds a stake of more than 40 per cent in Mack. RVI has been seeking to improve the US company's financial performance.

In the second quarter of last year, Mack reported net income of $10.1m, or 34 cents a share, on sales of $571.9m. In the six month period net income amounted to $15.2m or 51 cents on sales of $1.06bn.

The company said that deliveries of its Class 8 heavy-duty trucks were expected to fall by at least 12 per cent below those recorded during the strong second quarter of 1988.

It attributed the shortfall to the transition to new products and to softness in the Canadian and Venezuelan heavy-duty markets.

Mack also said that gross profits on truck sales were lower than anticipated during the 1989 second quarter because of the mix of trucks sold.

The proportion of trucks going to larger fleets increased, while the proportion sold in the Canadian and Venezuelan markets declined.

INTERNATIONAL CAPITAL MARKETS

Euro-paper default raises several ugly questions

Norma Cohen on the repercussions arising out of the failure of a New York financial services group

The Euro-commercial paper markets have just witnessed their first-ever default by a borrower, leaving a host of unanswered questions for investors, dealers, rating agencies and borrowers alike.

Most crucially, the events raise the question of whether investors in ECP are able to evaluate risks in the securities they buy and whether they are adequately compensated for the risks they take.

Integrated Resources, a New York-based financial services firm and a syndicator of real estate limited partnerships, announced on June 15 a moratorium on payments of principal and interest on all its short-term debts. The company had apparently found itself in a liquidity crisis in which its bankers were refusing to roll over any existing loans. Neither would they extend any new funds.

In addition to a $100m ECP programme arranged by Merrill Lynch, the company's moratorium also affects a US CP programme and about $490m in short-term bank lines of credit. Integrated said that roughly all its ECP programme was being utilised and that all securities would fall due within 45 days. There are about 50 to 75 holders of commercial paper, of which 15 to 20 are in Europe.

Holders of ECP and other short-term creditors are currently considering a proposal put forth by Integrated on June 19 at a meeting in New York for its lenders and investors. It has offered to exchange about $955m in short-term debt for new, secured obligations with an 18-month maturity paying 1 per cent over the US prime lending rate and an up-front fee. Under certain circumstances Integrated could stretch out the maturity to 24 months.

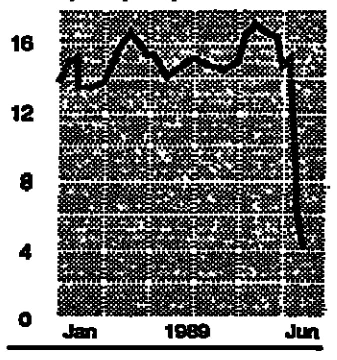
Merrill Lynch is urging the 15 to 20 institutional investors in Integrated's ECP programme to form themselves into a committee to negotiate with the company. It is also urging investors to join a group of US commercial paper investors organised by Drexel Burnham Lambert which is asking the company to provide additional information to help decide whether or not to accept the exchange offer.

But whether or not investors find the exchange offer acceptable – or whether an equity infusion from the Robert Bass Group sustains the company as a going concern – the affair raises serious questions about the way the ECP market works.

Officially, Merrill has taken the view that it has no legal obligation towards investors who purchased the paper – a view roughly echoed by the Bank of England, which says it is unfamiliar with the circumstances of Integrated's default. The Bank has a code of conduct for dealers in money market instruments and as long as ECP dealers have followed those guidelines there is no disciplinary role for it.

While there are legal precedents in the US which have made some dealers of commercial paper liable to investors under some circumstances, those precedents stem from court rulings on US securities laws.

Integrated Resources
Share price (US $)



In the Euromarkets, the closest occasion to default involved ECP of Klöckner and Co, the West German company, which ran into problems with some of its short-term debts in August 1988. However, in that case, Deutsche Bank, the company's chief lender which is also a stockholder, stepped in to provide liquidity. But clearly, Integrated has a much more arm's length relationship with the arrangers of its ECP programme than did Klöckner.

How the company came to be in so much trouble so fast remains a mystery. After all, its commercial paper carried an investment-grade A-2 rating literally up until the day Integrated announced its lenders would not extend fresh funds.

Miss Jill Hoyle, head of short-term instruments at Credit Suisse First Boston, said: "People shouldn't just put total faith in the credit rating agencies. Ratings are just a guide. They are not a substitute for doing your own credit analysis."

Integrated had been listed on Standard & Poor's credit watch list since January 2 with "developing implications," meaning the debt ratings could either be raised or lowered. Not until June 5 did S&P decide to switch its credit watch listing to one which suggested a downgrading and it did not act to do so until June 14 – the day the company first announced its lenders would not extend new credit.

The moratorium was announced on June 15, leaving hapless investors no time to unload their securities.

Meanwhile, it is unclear whether investors have been receiving greater returns for taking greater risk. One money markets manager said: "One of the questions raised by this whole affair is whether there is sufficient differentiation between different borrowers."

Dealers in ECP, for instance, point out that because the initial investor base for the product consisted of banks, yields have been very closely tied to the London interbank offered rate. However, yields still do not vary much above that, partly because of intense competition among dealers for mandates.

In an effort to gain new business, dealers promise to place paper for borrowers at unrealistically narrow spreads.

AIBD suspends member after investigations

By Andrew Freeman

THE ASSOCIATION of International Bond Dealers (AIBD) has suspended one of its members after investigations into the firm's investment activities. Capcom Financial Services, a London-based investment house principally involved in foreign exchange broking, is the first member to be suspended since the AIBD became a designated investment exchange under the UK Financial Services Act.

A statement to members said the suspension, from June 20, was based on "information available and shared by other regulatory organisations" about Capcom, which joined AIBD two years ago. Mr Erwin Flückiger, a member of the AIBD secretariat, said: "No harm has been done to other AIBD members, and no investors have been affected."

Capcom was suspended for six months by the London International Financial Futures Exchange (Liffe) on May 18 after a special board meeting. On June 12, the Chicago Board of Trade suspended Capcom indefinitely. Neither exchange gave reasons.

Arthur Anderson, the accountancy firm, recently completed an interim audit of Capcom on behalf of the directors. The company's final audited financial statement is due on July 28. It is understood the results of the interim audit were a factor in the decisions by the various exchanges to suspend Capcom.

Last year, Mr Syed Ziauddin Ali Akbar, the managing director of Capcom, was arrested in the UK in connection with drug and money laundering charges brought in the US. He no longer has a managerial position with the company, but retains a 24 per cent shareholding. The main shareholders are private individuals.

Mr John Parry, who succeeded Mr Akbar as managing director, said yesterday that the various suspensions were not drug-related. He confirmed that Capcom has been under investigation by the Association of International Futures Dealers (AFBD), and said that as the firm's lead regulator the AFBD had a duty to investigate following the charges against Mr Akbar.

Neither the AFBD nor the Securities and Investments Board (SIB) would comment, both arguing that they could not compromise the confidentiality of their respective memberships. Capcom was authorised by the Securities Association under the UK Financial Services Act.

Mr Parry said a meeting was scheduled in July with the AFBD to discuss Capcom's future.

W Germans take stake in Eurasco

METALLGESELLSCHAFT, the West German metals and mining group, has taken a one-sixth stake in Eurasco Zürich, a financing company owned by Soviet, East German and West German interests, Reuter reports.

Eurasco has raised its capital to SFr30m ($17.5m) from SFr5m, including SFr5m paid in by Metallgesellschaft to facilitate the ownership reorganisation, the financing company said.

Two Soviet groups, the Bank for Foreign Economic Affairs and the Soviet-controlled Donau-Bank of Vienna, had reduced their combined shareholding from 60 per cent to 50 per cent.

Having Metallgesellschaft as a leading shareholder would help Eurasco expand trading activities, the company said.

"With Metallgesellschaft we have won a partner which has long experience in bartering and countertrade."

European Community issues Pta15bn matador bond

By Katharine Campbell

THE European Community took advantage of the boost conferred to the Spanish debt market by the peseta's entry into the European Monetary System at the beginning of the week to bring the first matador bond with a maturity under five years.

The Pta15bn four-year bond, led by Bankers Trust's Madrid operation and Banco Hispano, was trading at a 1 per cent discount to the issue price, inside fees of 1⅛ per cent. It is the second matador bond for the EC and the first permitted by the Spanish Treasury in a sector which historically has maturities between five and 10 years.

INTERNATIONAL BONDS

While the lead manager would not comment, market sources believed that Pta12bn had been swapped.

A portion was apparently swapped into floating US dollars to achieve an aggressive rate for the borrower, possibly as low as 100 basis points below London interbank offered rates.

Traders noted the EMS move had spurred considerable interest in the Spanish market this week, both in domestic government paper and in recent matadors.

German investors had been particularly attracted by the combination of the currency's new relationship to their own, with the high yields of a more exotic market.

With interest in many of the seasoned matadors rekindled, dealers expected the EC issue to be well supported.

Otherwise the primary market was generally quiet. In the Australian dollar sector Toronto Dominion Australia issued an A$50m bond led by Hambros Bank, which was perceived by some sources outside the deal to be expensive given the frequency of that borrower's appearance in the markets. They noted that a previous one-year issue had not performed well.

The paper was quoted on fees at less 1⅛ bid. It is apparently swapped into floating-rate Australian dollars.

The domestic currency had moved sharply up against the US dollar overnight, on top of a sharp appreciation (about 5 cents) in the past two weeks, and dealers suggested that Continental European buyers might be wary of such levels.

Two equity warrants also came to the market yesterday. Nichimen issued a four-year bond carrying an indicative coupon of 4.375 per cent. Final terms are to be set on June 27. Daiwa Europe, the lead manager, said the paper was quoted at less ⅛ bid.

A Sanrio $200m bond bears an indicative 4.5 per cent, and terms will be set on June 26. Yamaichi, which brought the deal, quoted a bid price of par.

Against the background of a recovery in the US Treasury market, Wednesday's $250m straight bond for IBM Credit Corporation was trading at around a 1.32 per cent discount to the issue price, within fees of 1⅞ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nichimen Corp.‡◆	300	(4⅜)	100	1993	2⅛/1½	Daiwa Europe
Sanrio Co.◆	200	(4½)	100	1993	2⅛/1½	Yamaichi Int. (Europe)
Toronto-Dominion Cayman(g)◆	75	6⅜	101	1990	⅛/⅛	LTCB Int.
LIVES 21(h)‡◆	137	18⅛bp	100.10	1993	5bp	Nomura Int.
Amgen Inc.(f)‡◆	50	8	100	2004	2⅛/1½	Morgan Stanley Int.
AUSTRALIAN DOLLARS						
Toronto-Dominion Australia◆	50	16	101⅞	1992	1⅛/1	Hambros Bank
PESETAS						
European Community◆	15bn	12⅝	101⅞	1993	1⅛/1	Bankers Trust Servicios
SWISS FRANCS						
Nichimen Corp.(a)‡★★	100	(⅞)	100	1993	n/a	Citicorp Inv.Bank(Switz)
YE Data Inc.(c)‡★★	50	(⅞)	100	1993	n/a	UBS
Ueldgumi Co.(d)‡★★	50	(½)	100	1993	n/a	Citicorp Inv.Bank(Switz)
Asakawagumi Co.(d)‡★★	40	(⅞)	100	1993	1½	Nomura Bank (Switz)
D-MARKS						
Ury Co.(e)◆	300	1⅝	100	1994	2⅛/1½	Deutsche Bank

★★Private placement. ‡With equity warrants. §Convertible. ¶Floating rate note. ◆Final terms. a) Indicated yield to put 4.20%. b) Indicated yield to put 4.242%. c) Indicated yield to put 4.27%. d) Indicated yield to put 4.229%. e) Coupon fixed as indicated. f) Coupon indicated between 7½-8%. g) Additional $75m on tap. h) 18⅛bp over 6-month Libor.

Bikuben heads savings banks' drive for listings

By Hilary Barnes in Copenhagen

BIKUBEN yesterday became the first Danish savings bank to obtain a stock exchange listing after conversion into a private limited company, a move made possible by legislation which took effect this year.

On the first day of business the shares were traded at up to DKr290, compared with the offer price of DKr270.

In the first phase of the flotation, 83 per cent of the savings bank's guarantors exchanged guarantee certificates for shares. The remaining shares, with a face value of DKr191m ($24.9m), were oversubscribed 5.5 times.

Total share capital in Bikuben, which is Denmark's fifth largest bank with total assets of about DKr70bn, is DKr960m, of which DKr215m is held by the Bikuben Foundation. The foundation controls a voting majority.

Several other savings banks are planning conversion into companies, including SDS, which is the country's biggest savings bank.

WORLD COMMODITIES PRICES

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 22 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jun 21 Index No.	Tue Jun 20 Index No.	Mon Jun 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	969.63	+0.3	10.80	4.05	11.37	14.74	966.97	964.92	957.69	793.59
2	Building Materials (29)	1207.03	+0.5	11.77	4.29	10.49	22.32	1201.60	1198.77	1183.19	1025.30
3	Contracting, Construction (37)	1651.29	+0.2	14.05	4.26	9.34	30.72	1640.40	1641.42	1628.98	1610.07
4	Electricals (9)	2875.13	+0.8	8.30	4.00	14.87	50.60	2851.79	2815.77	2796.58	2100.39
5	Electronics (30)	2245.27	-0.8	8.50	3.09	15.25	23.92	2264.09	2265.47	2249.81	1703.08
6	Mechanical Engineering (54)	532.42	.....	9.99	3.97	12.31	8.04	532.12	531.15	527.96	485.95
8	Metals and Metal Forming (7)	521.28	+0.4	19.21	5.74	5.73	3.02	519.04	518.83	517.40	479.85
9	Motors (17)	328.18	+0.5	11.32	4.63	10.37	6.83	326.66	324.39	322.12	283.90
10	Other Industrial Materials (22)	1622.37	+1.7	9.27	4.23	12.88	26.35	1594.88	1594.03	1585.27	1317.15
21	CONSUMER GROUP (187)	1242.44	+0.4	8.90	3.63	14.05	17.90	1237.65	1231.09	1225.00	1107.97
22	Brewers and Distillers (22)	1360.79	+0.9	9.97	3.56	12.60	19.41	1348.76	1333.94	1321.00	1137.61
25	Food Manufacturing (20)	1103.56	+0.8	9.19	3.78	13.62	17.13	1094.82	1086.36	1083.90	1000.12
26	Food Retailing (15)	2399.73	+0.4	8.41	3.17	15.60	25.59	2390.08	2393.13	2399.40	2054.93
27	Health and Household (14)	2249.38	+0.2	6.59	2.64	17.22	21.58	2245.43	2242.34	2216.34	1875.98
29	Leisure (33)	1661.19	+0.3	7.66	3.41	16.36	22.05	1656.78	1654.04	1651.49	1349.99
31	Packaging & Paper (15)	566.50	-0.3	10.26	4.33	12.34	8.15	568.22	563.58	567.53	519.19
32	Publishing & Printing (19)	3588.16	-0.1	8.58	4.62	14.71	71.08	3590.96	3563.36	3542.78	3475.64
34	Stores (34)	816.62	+0.2	11.13	4.41	11.76	14.98	815.15	812.78	804.89	823.53
35	Textiles (15)	538.45	.....	11.00	5.39	10.88	13.42	538.55	536.65	534.90	618.30
40	OTHER GROUPS (94)	1129.21	-0.1	10.00	4.16	12.07	13.55	1130.22	1126.62	1127.66	917.20
41	Agencies (18)	1412.48	+0.7	7.05	2.33	17.56	14.91	1403.36	1379.27	1359.56	1193.46
42	Chemicals (22)	1299.76	+0.6	10.97	4.58	10.75	26.38	1292.42	1286.67	1276.53	1097.49
43	Conglomerates (12)	1652.34	+3.0	10.18	4.91	11.57	20.16	1604.05	1603.26	1595.59	1226.17
45	Transport (13)	2449.37	+0.4	8.61	3.68	15.09	39.22	2440.57	2438.78	2438.74	1943.54
47	Telephone Networks (2)	1094.79	-1.3	11.39	4.53	11.38	2.76	1108.68	1113.46	1119.74	991.49
48	Miscellaneous (27)	1655.16	-2.7	9.63	3.61	11.79	23.26	1700.65	1683.16	1708.53	1192.79
49	INDUSTRIAL GROUP (486)	1160.70	+0.2	9.76	3.90	12.63	16.18	1158.15	1154.05	1149.14	985.59
51	Oil & Gas (14)	2081.50	+0.2	10.37	5.42	12.01	51.14	2078.00	2060.63	2066.03	1863.67
59	500 SHARE INDEX (500)	1238.90	+0.2	9.84	4.10	12.65	19.04	1236.27	1231.74	1226.97	1059.94
61	FINANCIAL GROUP (124)	734.42	-0.2	-	5.36	-	17.62	735.84	733.85	726.88	716.50
62	Banks (8)	731.47	-0.5	24.37	6.54	5.39	21.71	734.92	731.16	719.21	682.93
65	Insurance (Life) (8)	1064.21	+0.1	-	5.61	-	29.86	1062.73	1057.09	1051.02	1033.80
66	Insurance (Composite) (7)	568.96	.....	-	6.32	-	16.75	568.82	566.04	563.37	565.37
67	Insurance (Brokers) (7)	961.12	-0.3	7.86	6.52	17.12	31.63	964.16	964.70	966.67	1014.93
68	Merchant Banks (11)	329.57	+0.2	-	4.71	-	5.93	328.90	328.93	327.81	363.60
69	Property (52)	1315.70	-0.4	6.31	2.91	20.20	15.98	1320.94	1322.62	1308.90	1255.50
70	Other Financial (31)	359.09	+0.5	11.43	6.00	11.13	8.02	357.21	356.71	356.78	388.45
71	Investment Trusts (70)	1150.87	+0.2	-	2.85	-	14.25	1148.46	1146.37	1141.24	913.98
81	Mining Finance (2)	668.45	+8.2	8.63	3.84	12.90	10.45	618.00	619.81	617.58	556.12
91	Overseas Traders (8)	1324.62	+1.6	11.37	5.60	10.01	35.07	1303.69	1302.23	1289.69	1162.99
99	ALL-SHARE INDEX (704)	1115.46	+0.3	-	4.25	-	18.53	1112.12	1108.39	1103.16	970.75

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 21	Jun 20	Jun 19	Jun 16	Jun 15	Year ago
FT-SE 100 SHARE INDEX♦	2180.0	+7.8	2184.0	2170.6	2172.2	2164.8	2154.7	2143.9	2129.6	1870.9

FIXED INTEREST

	PRICE INDICES	Thu Jun 22	Day's change %	Wed Jun 21	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	116.92	—	116.92	—	5.61
2	5-15 years	129.24	-0.09	129.36	—	6.96
3	Over 15 years	139.93	-0.17	140.17	—	7.09
4	Irredeemables	163.07	-0.27	163.51	—	6.34
5	All stocks	127.95	-0.07	128.04	—	6.60
	Index-Linked					
6	5 years	135.64	+0.06	135.55	—	1.36
7	Over 5 years	132.03	-0.05	132.10	—	1.82
8	All stocks	132.19	-0.04	132.25	—	1.82
9	Debentures & Loans	113.02	—	113.02	—	5.91
10	Preference	87.61	—	87.61	—	3.10

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 22	Wed Jun 21	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.05	10.00	9.38
2		15 years	9.62	9.61	9.35
3		25 years	9.43	9.40	9.14
4	Medium Coupons	5 years	11.17	11.15	9.59
5		15 years	10.10	10.08	9.54
6		25 years	9.63	9.60	9.33
7	High Coupons	5 years	11.38	11.29	9.66
8		15 years	10.31	10.29	9.69
9		25 years	9.80	9.78	9.41
10	Irredeemables		9.41	9.38	9.25
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.86	3.87	2.74
12	Inflation rate 5%	Over 5 yrs.	3.80	3.79	3.83
13	Inflation rate 10%	5yrs.	3.06	3.07	1.71
14	Inflation rate 10%	Over 5 yrs.	3.62	3.62	3.65
15	Debs & Loans	5 years	12.00	12.00	10.31
16		15 years	11.47	11.47	10.71
17		25 years	11.33	11.33	10.74
18	Preference		10.32	10.32	9.54

♦Opening index 2183.9; 10 am 2175.9; 11 am 2177.0; Noon 2171.6; 1 pm 2172.9; 2 pm 2176.8; 3 pm 2175.2; 3.30 pm 2175.8; 4 pm 2179.6 (a) 09.01am (b) 11.21am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGE: Smaller Co's International Trust (71) has been deleted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	88	13
Corporations, Dominion and Foreign Bonds	4	3	35
Industrials	400	332	855
Financial and Properties	144	131	386
Oils	22	23	49
Plantations	0	0	12
Mines	67	19	32
Others	38	105	103
Totals	680	701	1,545

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings Jun 12
- Last Dealings Jun 23
- Last Declarations Sep 14
- For settlement Sep 25

For rate indications see end of London Share Service

Calls in Amstrad, Oliver Resources, Hewitt, ZCI, Tusker Resources, Conroy Petroleum, Budgens, Avis Europe, PML, London Forfaiting, Beresford International and Frogmore Estates.

LONDON TRADED OPTIONS

THE purchase by Hanson of the near 30 per cent stake in Consolidated Gold Fields held by Minorco, the unsuccessful bidder for the UK concern, and Hanson's consequent bid for Gold Fields unsettled the markets.

However, the renewed falling back of the dollar in the foreign exchange market and the broad stability of interest rates in the UK helped to restrict turbulence in the options market. It was, even so, a busy day, with 48,743 contracts handled, made up of 37,804 calls and 10,939 puts. The index rose 7.8 points to 2,180.

Main debating points of the day ran in several directions, and included the question of how Minorco would dispose of the Gold Fields holding and how Hanson would handle a successful bid for Gold Fields.

A striking feature was that both Hanson, up 11p on the underlying market to 214p, and Gold Fields, up 203p to 1,466p, rose.

The Hanson options business comprised 175 bargains, at an average size of 43.2 contracts. Gold Fields saw 161 bargains at an average size of no more than 13.7 contracts.

Racal, which also had a busy day yesterday, saw 77 bargains, at an average size of 37 contracts.

Set aside Hanson, Racal and Gold Fields and it was left to Trusthouse Forte to provide most of the remaining options market interest.

Dealings in the options on this stock amounted to 2,104 contracts. The stock was up on the underlying market by 9p to 327p. The June 330 calls saw 844 contracts. There was some closing of interest in the stock, particularly in the June 330 calls, although there was also some opening in the September 280 calls.

Option		CALLS Jul	CALLS Oct	CALLS Jan	PUTS Jul	PUTS Oct	PUTS Jan
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

June 22 Total Contracts 48,018 Calls 37,035 Puts 10,983
FT-SE Index Calls 6921 Puts 3864
*Underlying security price.

NSM. Breaking new ground.

NSM, the mining, minerals and building materials group, is now leaner, fitter and stronger.

With the annual results to prove it.

In just 12 months negative earnings per share of 176 pence have been reversed into positive earnings of 8.5p a share.

All our activities are now profitable.

Major acquisitions have been made in the building materials field.

Our management team has been further strengthened.

Year to	31 March 89 £000	5 April 88 £000
Turnover	110,929	84,903
Pre-tax profit	16,517	(29,028)
Earnings per share	8.5p	(176p)
Dividend	3.0p	Nil

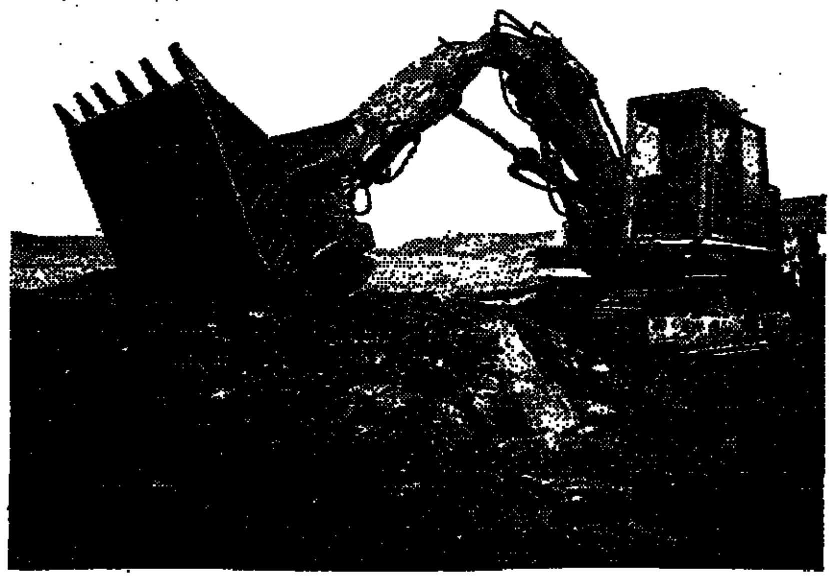
And we now clearly target what many will see as major growth areas of the 1990s – low cost power generation, building and refurbishment and environmental management.

In short, there is every reason to look forward with confidence.

UK Mining and Minerals

NSM's subsidiary, Coal Contractors Ltd, is Britain's leading producer of private opencast coal. The coal produced is generally of a higher quality than other forms of coal, being lower in sulphur and chlorine.

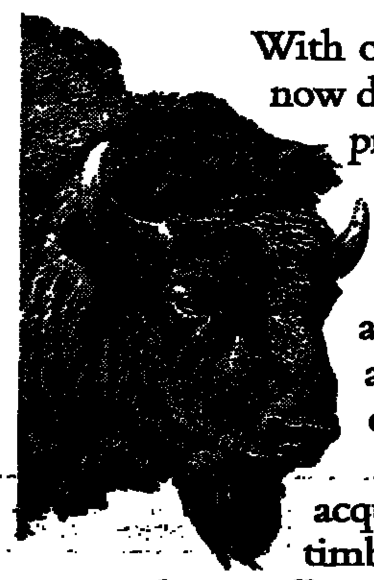
This makes it more environmentally friendly, more profitable and gives it a more



exciting future than ever before.

Coal Contractors' strengths in opencast mining also make it well placed to take advantage of the projected privatisation of electricity and coal. In addition, the company is expanding production of fireclay, gypsum and other minerals.

UK Building Materials



With our acquisition of Bison we now dominate the fast growing prestressed concrete flooring market.

Bison is the market leader in this highly profitable field and its products are used in virtually all types of building.

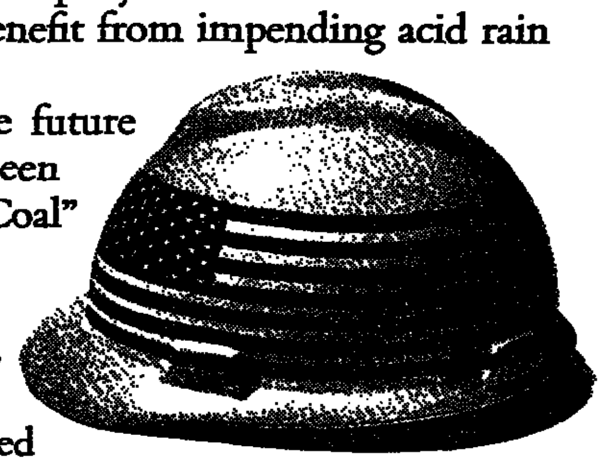
We have also made acquisitions in plastic and timber building products.

These will now be marketed under the Bison name, further enhancing its product range.

US Mining and Minerals

NSM's US subsidiary in Pennsylvania, PBS Coals Inc, specialises in supplying "compliance" (low sulphur) coal to power stations.

80% of all its production is now sold for power generation locally and on the US Eastern seaboard. The company has substantial reserves and stands to benefit from impending acid rain legislation.



Indeed, the future for what has been termed "Green Coal" is outstanding, world-wide.

PBS Coals Inc has also profitably resumed the shipping of metallurgical coal to the Japanese steel industry.

To conclude, NSM has broken a lot of new ground in the past year.

We are now focused on major growth areas and face the future with strength, confidence and purpose.

NSM plc

The 1989 Annual Report will be mailed to shareholders in early July. If you would like a copy please contact The Secretary, NSM plc, Carlton House, Carlton Road, Worksop, Notts S81 7QF.

This advertisement has been approved by Robert Fleming & Co. Limited, a member of the Securities Association, for the purposes of Section 57 of the Financial Services Act 1986.

UK COMPANY NEWS

Luxury goods division helps Rothmans to £327m

By Vanessa Houlder

ROTHMANS International, the cigarettes and luxury consumer goods company, yesterday announced a 13.1 per cent rise in pre-tax profits from £288.8m to £326.7m for the year to end-March.

Gross turnover of the group, including associated companies, increased from £5.1bn to £5.25bn.

Cost savings and efficiency improvements in the tobacco division helped *improve operating profits* by 4.7 per cent to £289.1m (£276m) on a slight fall in net sales revenues, excluding taxes and duties, to £1.66bn (£1.67bn).

The profits of the tobacco subsidiaries were reduced by adverse currency translation effects of £2m and rationalisation charges of £12.5m (£9.6m) which arose from the closure of a Canadian factory.

Mr Malcolm Thompson, group finance director, said that volumes of tobacco had fallen in Canada and Singapore, as a result of government anti-smoking measures. However sales in the UK were static and in the Far East were generally expanding.

Strong results from Dunhill and Cartier prompted a 53.6 per cent rise in the operating profits of the luxury goods and other activities division. This division now accounts for 32 per cent of total operating profit compared with 24 per cent last year.

Net interest receivable increased from £22.2m to £32m, as a result of higher interest rates and an increase in net liquid funds from £442.4m to £454m. Mr Thompson said that although the group was ever alert to acquisition possibilities, it had a problem in finding another Dunhill or Cartier at a realistic price.

An extraordinary gain of £10.1m represents the share of profits arising from the sale by the group's *associate*, Rothmans Holdings, of its interest in confectionery manufacture.

The tax charge reduced from 42.8 per cent to 39.5 per cent as a result of lower corporate tax rates in several countries. Earnings per share attributable to ordinary and 'B' ordinary shares rose by 22.8 per cent from 42.8p to 52.3p.

A final dividend on the ordinary and 'B' ordinary shares of 8.8p (7p) was proposed, making a total of 12.3p for the year, an increase of 23 per cent.

● COMMENT

Given the combination of a cash mountain and two major shareholders, it is no surprise that Rothmans has attracted a plethora of speculation about prospective bids, disposals and acquisitions. For its part, however, Rothmans gives off an air of *studied calm*. It is relaxed about its growing cash pile, preferring, it seems, to sit out the craze for branded goods until prices subside. Meanwhile, it appears to have an amicable relationship with its major shareholders, Philip Morris and Richemont (which, in the short term at least, is thought unlikely to bid). While bid speculation is slim, any significant re-rating seems unlikely. Most hopes for strong earnings growth are pinned on *the luxury goods*, where demand from the international jet set is growing apace. Profits from the tobacco side will plod ahead, depending on remaining scope for efficiency improvements, benefits from a stronger dollar and above-inflation price increases. Analysts expect profits of about £370m this year, which puts the shares, up 4p to 549p, on a rating of just over 9.

Stockbrokers' special deal on Abbey National shares

By Clare Pearson

TWENTY-FIVE stockbrokers are to offer special dealing services in shares of Abbey National, the former building society, which plans to join the stock market in a £1.7bn flotation on July 12.

Operating from some 6,000 outlets up and down the country, the firms will be in *competition with the service Abbey* National has already arranged with Sharelink, the share dealing subsidiary of British Telecom.

The Stock Exchange yesterday said that the firms have all agreed to deal in batches of 100 shares, the minimum number which members of the society who qualify for free shares, and also apply for extra shares in the float, will be getting.

Beside the large number of regional brokers, the 25 include Barclayshare and National Westminster Bank.

The firms *will be charging* cheap rates with the minimum commission expected to be competitive with Sharelink's minimum of £12 (plus VAT) for dealings in shares worth up to £1,600.

The Stock Exchange also announced yesterday that it will be relaxing a number of its requirements to make it easier for member firms to transact business in the shares during the early days of trading.

These mostly mirror measures carried out during the more recent Government privatisations.

It also said that the London Traded Options Market had agreed to introduce traded options on Abbey National's shares on the first dealing day.

Meanwhile, IG Index, the London bookmaking firm specialising in financial bets, has opened a book on the price at which shares in Abbey National will close on the first day of dealings.

The betting provides a form of hedging for Abbey National members who have applied for, and expect to receive, extra shares. However, they will not be notified of how many shares they are getting till after the offer closes next Thursday.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Eldridge Pope, Eurocopy, New Zealand Inv.

Finals- Aberfoyle, Bulgin (AF), Electric & General, Goodman, Kewill Systems, Martins Inds, Soundtracs.

FUTURE DATES

Interims-	
Fil-Fyffes	June 26
Scandinavian Bank	June 22
Sotheby's	July 24
TVS Entertainment	July 22
Finals-	
AAH	July 5
General Electric	June 28
Gold Greenlees Trott	June 26
Parkdale	June 27
West Industries	June 27

New chief at Bestwood as battle goes on

By Andrew Hill

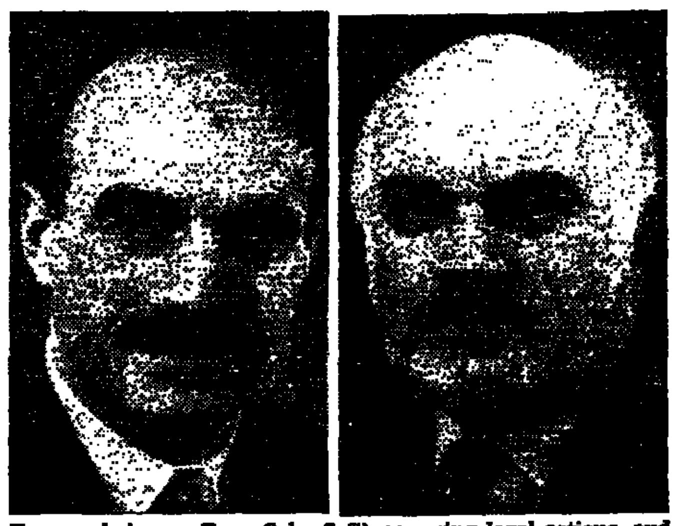
BESTWOOD yesterday appointed its third chairman within a year, but the move may not have defused the battle for control of the property and industrial holding company.

The new chairman is Mr Jim Furlong, a director whose housebuilding business was bought by the company in September 1987.

He and his family own some 25 per cent of Bestwood, and their stake was instrumental in preventing Mr Tony Cole, who resigned as chairman of Bestwood last July, from deposing the group's existing management at the end of March.

The resignation of the latest chairman, Mr Anthony Holmes, means that Mr Cole has achieved his principal aim. Mr Holmes will not seek re-election to the Bestwood board.

But Mr Cole, who owns 20 per cent of Bestwood, said yesterday that his position was unchanged, despite the resignation of Mr Holmes.



Two ex-chairmen: Tony Cole, (left), pursuing legal actions, and Anthony Holmes, who will not seek re-election to the board

"The key question is still: when are the shareholders going to get some value?" he said.

Three weeks after the egm, Mr Cole wrote to Mr Furlong saying he was considering a bid approach to Bestwood, which would have valued the company at £28m, or 77.5p a share. The group's shares were unmoved at 38p yesterday. He refused to comment yesterday on the possibility of a bid for the group.

Mr Cole added that he would continue to pursue outstanding legal actions, which include two libel writs against Mr Holmes. He is also questioning the validity of the Furlong family voting its 25 per cent stake in favour of the board at the EGM.

Mr Cole had hoped to win a place on the board himself, although after the March egm he said he would not necessarily put himself forward as an alternative to Mr Holmes if another meeting were called.

Mr Holmes becomes the fifth director to resign since Mr Cole's departure, following Mr Jeremy Colson, the group's finance director, who quit at the end of last month.

Bestwood also announced yesterday that Mr Alan Kaye, managing director of the group's mortgage lending subsidiary, had been appointed an executive director.

Merger to create 10th largest ad agency

By Clay Harris

LINTAS:LONDON, part of the US-based Interpublic group of advertising agencies, is to merge with Still Price Court Twivy D'Souza, a four-year-old UK agency. The price of the transaction was not disclosed.

The deal will create Britain's 10th largest agency, with an estimated £129m in billings in 1989, according to Mr Ken Robbins, chairman of Lintas:International, the London-based parent of the new combined agency.

The merger is unusual in that Lintas will have a majority equity stake but the former partners in Still Price will have voting control over the agency. It will be called Still, Price, Court, Twivy, D'Souza: Lintas (UK).

This reflects, Mr Robbins said yesterday, Lintas' desire to strengthen its UK management and creative presence.

Perhaps Still Price's most notable recent campaign has involved Dame Edna Everage's stooge making percolator noises as she pours boiling water on Brooke Bond Red Mountain instant coffee.

Lintas also sought the merger to boost its position in the UK league table.

Still Price, on the other hand, said it had grown to the point where advertisers wanted to use it not just in the UK but also in other countries.

Mr Chris Still, who will be chairman and chief executive of the combined group, said he and his partners had concluded that "the task of setting up a true European network of the calibre that clients like Unilever require is just not on at this point".

Most of the other key executives will also come from *Still* Price, except for Lintas' Mr Ced Vidler, who becomes executive creative director. Mr Gerald Wright, chairman of Lintas:London, moves to become chairman of Lintas UK Group, which oversees two other British-based agencies, CM/Spectrum and Lintas:Overseas.

Still Price had been considering selling a minority interest to Omnicom, another US advertising group, but chose Lintas for two reasons, Mr Still said last night. One was Lintas' close ties with Unilever, which accounts for *40 per cent* of Still Price's business. The other was Still Price's desire not to report to Mr Martin Boase of Boase Massimi Pollitt, which is being taken over by Omnicom in a bid declared unconditional yesterday.

Interpublic, which also owns McCann-Erickson, recently agreed to raise its holding in Lowe Howard-Spink & Bell, the UK advertising and public relations agency, from just under 25 per cent to 35.7 per cent.

Trilion back in the black with £144,000

By David Waller

TRILION, the television and production company in which Brent Walker holds a 29.9 per cent stake, yesterday reported its first profit at the pre-tax level since 1986.

In the six months to the end of March, the company made a pre-tax profit of £144,000 against a loss of £735,000 in the first half of last year.

Turnover fell – from £7.7m to £6.7m – reflecting the disturbance created by the move away from the Limehouse studios for which the company received £25m in March.

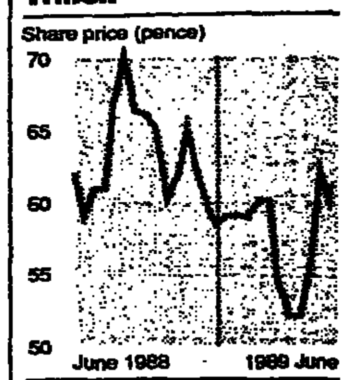
Mr Keith Wilkinson, finance director, said that the company would recover the turnover and more following this summer's £5.25m purchase of Lee International's studios in Wembley.

The balance sheet was strong, and the full effects of a huge rationalisation programme at Trilion had yet to be felt, Mr Wilkinson said.

The interest bill for the half year fell *dramatically* , from £1.024m to £291,000; earnings per share were 0.2p against a loss of 2.5p.

There is no dividend.

Trilion



Bankers Investment Trust gains

Net asset value of The Bankers' Investment Trust stood at 104.4p at April 30, a near-24 per cent rise on the 84.3p prevailing a year earlier.

Directors said that trust continued to concentrate assets in the UK and US.

Earnings per share for the half-year to end-April advanced 39 per cent to 0.99p (0.71p) and *the second interim dividend is* 0.55p, against the 0.42p paid at the same stage last year.

Kemp profits fall against backdrop of higher charges and intense competition

SHAREHOLDERS of PE Kemp, the theatrical engineer and scenery builder quoted on the Third Market, received another disappointment yesterday following news of a sharp decline in pre-tax profits from £118,790 to £34,339 for the six months to April 30.

In his two previous statements, Mr Peter Kemp, chairman, *referred to the "difficult* times" being experienced by the theatre servicing industry, a situation that resulted in group profits falling from £310,000 to £177,000 in the last full year.

Contributing factors for the latest downturn included a sharp turnround from interest receivable of £899 to charges of £50,535 and the intense competition in theatre, exhibition and *display work*, reflected in turnover down from £1.84m to £1.58m.

Mr Kemp said the liquidity position had improved following the sale in April of freehold premises owned by its Harker Homan and Bravery subsidiary and there would be a first-time contribution to profits by that company with more to come from the interest in Unit 1 Production Services.

The interim dividend is held *at 0.5p from earnings of 0.57p* (1.47p) per 5p share; last year's dividend total was 1.5p.

EMAP £17.5m offer for Bucks & Herts

EMAP, the newspaper, magazine and exhibitions group, has made a recommended £17.5m offer for Bucks & Herts Newspapers, a newspaper publisher and contract printer.

Bucks & Herts made pre-tax profits of £1.4m on turnover of £7.5m in 1988.

Up to half of the payment will be made in EMAP shares, with the remainder in cash or loan notes.

Camford hits out at Markheath

By Ray Bashford

CAMFORD ENGINEERING yesterday expressed fresh concern about the intentions of Markheath Securities, the UK investment vehicle of Australian businessman Mr John Spalvins, which has continued to increase its holding in the motor components manufacturer.

Mr Brian Cox, Camford chairman, said he believed that Markheath planned to lift its *stake to 29.99 per cent, after* reaching 28 per cent on Wednesday through the purchase of a further 2 per cent.

Signalling the possibility of a bid for the company Mr Cox said: "If there are any further significant developments shareholders should await advice from their board."

Mr Ian Creber, a Markheath director, described the Camford statement as "emotionally charged" and said that he had no firm plans for the holding. "The only thing we won't do is sit and do nothing," he added.

Mr Cox said that despite several discussions with Mr Spalvins he did not know what the Australian planned to do with the holding.

"Mr Spalvins could well *become a seller of the shares if* Markheath needed the money or when he loses interest in the investment," Mr Cox said. "I *rather get the impression that* Mr Spalvins likes to control companies while holding less than 50 per cent of the capital. This policy seem to suit him but I find it over bearing and bullying and it does not do justice to the majority of shareholders," he said.

It is understood that the question of board representation for Markheath has been discussed. However, they failed to reach agreement on the conditions which could have included an undertaking not to *bid or an accord on how Mar*kheath's stake would be disposed of if there was a decision to sell.

Markheath began purchasing Camford shares early last year and between last December and January this year was an *active buyer, boosting its hold*ing from 11 per cent to about 19 per cent.

Camford shares yesterday firmed 5p to 307p. Markheath acquired a large portion of its stake at about 190p.

COMPANY NEWS IN BRIEF

CONTROL TECHNIQUES is to acquire at book value the stock and work in progress, and, at an agreed valuation, the fixed assets of Power Electronics, an Australian company specialising in telecommunications rectifiers and AC/DC motor drives. The exact consideration payable will be determined on completion of a stock-take. The current total value for the assets being acquired is estimated to be below A$1.5m (about £750,000). Consideration *will be paid in cash on completion*, expected to be July 3.

HYMAN has acquired Verta Holdings for a consideration of *£1.5m to be satisfied by £1.103m* cash and £397,000 by the issue of Hyman ordinary stock units. Verta is a specialist converter of polyurethane foams and is based in Manchester.

MOLINARE VISIONS: WH Smith Group owned, had contracted to purchase or had received acceptances for a total of 25.16m Molinare shares (91.93 per cent). The recommended *cash offer* has been extended until July 5.

WYNDHAM GROUP is to sell a portfolio of properties situated in *Cardiff* for £3m to be satisfied in cash in full on completion on July 6. The purchaser of the portfolio is Letinvest of Knightsbridge, London.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amber Ind Hldgs ......fin	9.75	-	7.75	13.5	11
Anglia TV ......int	2.6	-	2.35	-	7.75
Bankers Inv Tst ......int	0.55	Aug 31	0.42	-	1.92
Burns-Anderson ......int	1.9†	Aug 8	1.75	-	4.1
CH Industrials ......fin	3.825†	Sept 21	3	4.875	3.75
Drummond Group ......fin	2.7	-	2.1	3.7	3.1
ERF ......fin	11†	Aug 9	7	15	9
Erostin Group ......fin	4	-	-	6	-
Kemp (PE) ♦ ......*int*	*0.5*	Aug 1	0.5	-	1.5
Lee (Arthur) ......int	1.55	-	1.25	-	4.25
IWP Int'l ......fin	3♣	-	1	4.5	1
Penny & Giles ......fin	2.45	-	2.12	3.5	3
Rothmans Intl ......fin	8.8	-	7	12.3	10

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§*Unquoted stock*. ♦Third market. ♣Irish pence.

COMPANY NOTICES

BAYER AKTIENGESELLSCHAFT
PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to shareholders that following a Resolution passed at the Annual General Meeting of shareholders held on 21st June, 1989 a Dividend for the year 1988 of DM.12.00 per share of DM.50 nominal will be paid as from 22nd June, 1989 against delivery of Coupon No. 48.

All dividends will be subject to deduction of German Capital Yields Tax of 25%.

The net amount of dividend is payable in German Marks. Paying Agents outside Germany will pay in the currency of the country in which the Coupon is presented at the rate of exchange on the day of presentation.

Coupon No. 48 may be presented as from 22nd June, 1989 at the *Company's* Paying Agents in the United *Kingdom*:—

Hambros Bank Limited
Hill Samuel Bank Limited
Kleinwort Benson Limited
S.G. Warburg & Co. Ltd.

from whom claim forms may be obtained.

United Kingdom Income Tax will be deducted at the rate of 10% (10 Pence in the £1) unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents. The Company's United Kingdom Paying Agents will, upon request, provide the appropriate form for such recovery.

Leverkusen
21st June, 1989 BAYER AKTIENGESELLSCHAFT

PUBLIC NOTICE

PUBLIC NOTICE

Please take notice that Muslim Commercial Bank Ltd., U.K.'s operations (operating from ground Floor, 161-163 Commercial Road, London E1 2DA and 553 Cathcart Road, Glasgow G42 8SG) will be closed down on 30th June 1989. All the assets and liabilities will be merged with Allied Bank of Pakistan Ltd., 14 Trinity Square, London EC3N 4AA.

As from 1st July 1989, the existing branch at 161-163 Commercial Road, London E1 2DA, will cease to operate. All assets and liabilities will be merged with Allied Bank of Pakistan Ltd., 14 Trinity Square, London EC3N 4AA. However, branch at 553 Cathcart *Road*, Glasgow G42 8SG, will be trading as Allied Bank of Pakistan Ltd., Glasgow.

We thank our customers and all those concerned for their cooperation and regret for this inconvenience.

General Manager,
Muslim Commercial Bank Ltd.,
Ground Floor,
161-163 Commercial Road,
London E1 2DA.

UK COMPANY NEWS

No accounting for goodwill

David Waller and Richard Waters ponder on the ASC's new ruling

LORD HANSON, chairman of the acquisition-driven conglomerate which bears his name, was in the news yesterday as his company launched the UK's latest mega-bid, in this case a £3.1bn offer for Consolidated Gold Fields.

The ennobled entrepreneur is better known for this sort of corporate buccaneering than for his contribution to the fierce philosophical debate on the best way of accounting for goodwill.

Nevertheless, on the day on which the Accounting Standards Committee came out with a contentious ruling on the subject, Lord Hanson's musings on the knotty issue last year deserve to be remembered:

"If you're trading a horse," he explained, when asked by a baffled shareholder about the problem, "it's the value to the buyer and what the seller can get for it."

If only it was as simple as that. Yesterday's recommendation from the ASC – that goodwill should be put into companies' balance sheets and written off against the profit and loss account – will have a significant effect on the reported earnings of many public companies.

It is another case, all too familiar in the accountancy world, of a technical rule change which – if implemented – would have a serious, possibly distorting, influence on the decisions of businessmen and institutional investors alike.

On the face of it, the arguments are fairly removed from the world of commercial realities.

Advocates of capitalisation (regarding the goodwill that arises from an acquisition as an asset and putting it into a balance sheet) and amortisation (writing the asset down over a number of years) say that goodwill is an asset, like any other, and should be written down like any other.

Others claim that it cannot be treated like other assets.

Goodwill (a term which actually covers all the intangible assets of a business, from brand names to the abilities of the chief executive) is something that no company can operate without, and which all companies are continually rebuilding: it is therefore wrong to write it down against profits, since this would imply it is a wasting asset.

Both approaches are adopted by UK companies. British & Commonwealth Holdings, the financial services group, is in the capitalisation and write-off camp.

Its balance sheet is buttressed by intangible assets amounting to £1.25bn, but its profit and loss account is depleted each and every year by a write-off of one 25th of that.

"The goodwill arose as a result of four acquisitions," explained Mr Rusty Ashman, B&C's finance director yesterday.

"We felt that all the money we had spent had gone on something valuable. It seemed daft not to show that on the face of the balance sheet."

Not only daft, but somewhat impracticable, because a full write-off would all but eliminate shareholders' funds.

This is a problem suffered by many acquisitive companies in the service sector. They are the most vulnerable to goodwill problems as the value of the business depends more on people than plant and machinery.

There is evidence of this in the latest accounts from Saatchi & Saatchi, the international advertising group. They show that after writing off goodwill of £167m in 1988, net assets stood at £107.6m compared to £727.9m in the previous year. Despite the company's well-publicised problems with its consultancy arm, few would argue that such a figure gives a real indication of the true worth of a company which made pre-tax profits of £138m last year.

Some companies adopt a halfway-house position. Thus, for example, the TI Group has taken to presenting its figures before and after the write-off of goodwill that arose on acquisitions in 1987 and 1988.

As recently as 1985 the UK seemed to have come up with its preferred answer. That year saw the introduction of Statement of Standard Accounting Practice 22 on accounting for goodwill, which recommended that goodwill be written off against reserves.

Many companies followed this, only to find themselves embroiled in fresh controversy when they took steps to shore up the balance sheet in the aftermath of the write-off.

The "brand accounting" fashion of recent months, sparked by Ranks Hovis McDougall, has been an attempt by companies to repair their balance sheets by effectively turning part of the goodwill into brands. These brands are put into the balance sheet and not written off.

Thus Guinness, the brewing and drinks group, initially wrote off £1.39bn on its acquisition of Distillers in 1986, only to add £1.38bn back again in 1989 by way of a brand revaluation.

It seems highly unlikely that the ASC's latest recommendation will be accepted without a fuss and the muddle is likely to continue for some time.

ICA-commissioned research criticises the valuation of 'brands' in balance sheets

By Richard Waters

"BRAND" ACCOUNTING, the fashionable UK practice of valuing brands and inserting them into balance sheets, was yesterday attacked in a damning report by four academics from the London Business School.

They concluded that brands usually cannot be identified separately and so do not satisfy the test of an "asset" required for inclusion in a balance sheet.

Also, the valuation methods that have been used are subjective, and the stock market regards the information as of little use.

The heavyweight research study was commissioned by the Institute of Chartered Accountants in England and Wales in an attempt to bring some academic discipline to bear on the subject. It will be used by the ASC this summer as it tries to agree on accounting rules to cover this area.

The researchers concluded: "The implication for standard-setting is that the present position, far from being neutral, is potentially corrosive to the whole basis of financial reporting and that to allow brands to continue to be included in balance sheets would be highly unwise."

If accepted by the ASC, this poses a significant question for those companies which have already shown brands in their accounts, which may in future find that they are required to reverse their policy.

The report also makes uncomfortable reading for auditors who have gone along with their clients' decisions to value assets. It said of its conclusions: "Taken together, these problems add up to a highly tenuous basis for audit, about which auditors must be gravely concerned."

In an apparent allusion to possible conflicts of interest in audit firms, it added that these considerations "must leave them open to serious unwelcome commercial pressures".

Mr Andrew Likierman, one of the researchers and professor of accounting and financial control, said yesterday: "If you continue to allow this practice, the way is open to all sorts of 'funnies'."

The others involved the study were Mr Paul Marsh, professor of management and finance, Mr Patrick Barwise, senior lecturer in marketing and Mr Christopher Higson, lecturer in accounting.

Accounting for Brands, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Price £15 (£16 by mail).

All-round growth lifts Granville over £1m

By David Lascelles, Banking Editor

GRANVILLE, the privately-owned UK banking and financial services group, saw a strong increase in profits in its latest financial year to March 31 1989. The result was helped by good performances in all its main activities, banking, stockbroking and investment services.

Profits before tax were £1.12m, up 35 per cent from £831,000, the first time the group has topped the £1m mark. During the year the group's investment portfolio also increased in value to £8.3m from £6.3m.

Mr Robin Hodgson, the managing director, said: "It has been a good year, and it will continue."

The group has been active in corporate finance, where it specialises in development capital and merchant banking for small and medium sized companies. It also provides stockbroking services for institutions and individuals, fund management and personal financial planning. The group has recently launched its second development capital fund with £25m.

Mr Hodgson said he was encouraged by the prospects for small groups like Granville which were able to provide specialist services. The group had also been able to make a profit from its private client business at a time when others were pulling out. Controlling back office costs was the key to this, he said.

Following some recent acquisitions, Mr Hodgson said that "the building blocks are now in place" for an expansion of the business. "We see ourselves growing quite rapidly in the next three years", he said.

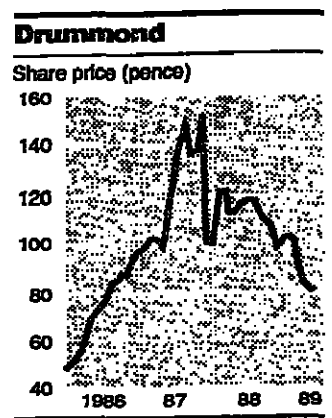
Alexander Russell $3.5m US sale

Alexander Russell has sold Amscot Coal, its US subsidiary, to Diamond Coal Company for $3.5m (£2.25m), $50,000 of which was paid on completion. The balance is due in 10 equal instalments over a five-year period.

Drummond falls to £1.6m after a year of difficult conditions

By Alice Rawsthorn

DRUMMOND GROUP, the Bradford-based wool textile company in which Chargeurs of France has bought a stake, saw pre-tax profits fall from £2.1m to £1.6m in the year to April 2 due to erratic domestic demand and a slowdown in exports.



Mr Stefan Simmonds, chairman and a substantial shareholder, said the group had experienced a "difficult year". Earnings per share fell to 11.12p (15.57p). Nevertheless the board has decided to raise the final dividend to 2.7p making a total of 3.7p (3.1p).

Drummond weaves cloth for women's wear, men's wear and workwear at its Yorkshire mills. It managed to boost turnover to £32.8m (£30.1m) during the year, but profitability was depressed by the cautious pattern of retail buying in the UK. At the same time exports, representing 10 per cent of sales, suffered from economic instability in the Middle East. Operating profits fell to £2.3m (£2.6m).

The company's stock levels rose because of erratic retail buying. The impact of this increase was exacerbated by higher interest rates and its interest payment rose to £697,000 (£466,000). Drummond has exhausted its tax losses and made a higher tax payment of £356,000 (£334,000) thereby depressing earnings per share.

In December Drummond negotiated an agreement whereby Chargeurs, the French textile group, took a 20 per cent stake in the Yorkshire company in return for a cash injection of at least £3.7m.

The cash injection has reduced its gearing – from about 50 per cent a year ago to 17 per cent – and will enable it to embark upon a £5m investment programme. Drummond plans to use the money to re-equip its weaving and finishing facilities over the next three years.

Mr Simmonds said the pattern of trading was still "patchy" but the group expected to return to profits growth this year.

● COMMENT

The troubled tale of Drummond is becoming all too familiar in the textile sector. The combination of increasing imports and retail caution over consumer spending has imposed intense pressure on profitability. And the impact of increased interest rates on companies struggling against rising stocks is yet another burden to bear. The problem is that there is no real prospect of improvement. The weaker pound will eventually enable Drummond's customers in the clothing industry to be more competitive against imports. But it takes time for currency changes to affect the pattern of retail buying and the pressure on interest rates is as intense as ever. Drummond's profits should rise to £1.8m this year. But its shares, on a prospective p/e of 6½ at 80p yesterday, may take rather longer to revive.

Arthur Lee advances to £3.6m

By Edward Sussman

PROGRESS in all divisions allowed Arthur Lee & Sons, the steel and plastics group, to increase pre-tax profits by 30 per cent from £2.7m to £3.6m in the six months to March 31.

Mr Peter Lee, chairman, said the steel division performance was "very strong." The company plans to focus on stainless steel through its Lee Steel Strip subsidiary. Some £6m in expenditures for plant are planned for Lee Steel over the next two years. Arthur Lee's push into plastics also continued to show growth, although the £625,000 (£273,000) in plastic-related operating profit is still well below the £3.27m (£2.59m) derived from steel and related products.

Non-UK turnover grew 43 per cent to £10.3m (£7.2m) against a 16 per cent rise in the UK to £49m (£42.3m). Group turnover increased 20 per cent to £59.3m.

Earnings per share rose to 7.21p (5.81p) and the interim dividend is 1.55p (1.25p).

Mr Lee said the stake held in Arthur Lee by GM Firth (Holdings), the engineering, steel stockholding and investment group, was 12.79 per cent, against the 12.67 per cent held in March. While not in close communication with Firth, Mr Lee said he believed a takeover attempt was highly unlikely.

● COMMENT

Arthur Lee has again turned in a solid performance, although its profit growth in steel products is clearly being affected by capacity limitations – the substantial step-up in plant investments should help remedy this by year end. The only possible chink in this steel armour would be a significant downturn in the UK economy, a risk Arthur Lee is trying to diminish through greater diversification of its products and sales base. The company is looking to boost its plastics' earnings from about 16 per cent of profits to 25 per cent and wants to expand its distribution in Europe. Acquisitions in these areas are high on the agenda. With relatively low gearing of 20 per cent the company is in a position to carry out its plans as long as a UK downturn does not hit harder or faster than seems likely. Forecast pre-tax profits of £7.3m for the full year put the shares, which slipped 2p to 158p yesterday, on a prospective multiple of about 10.5. That rating is probably supported by takeover speculation concerning the Firth stake.

UK COMPANY NEWS

Opposition to B&C support for Tories

By Clay Harris

SHAREHOLDERS IN British & Commonwealth Holdings yesterday gave their directors authority to contribute up to £100,000 to the Conservative Party this year, despite suggestions at the financial services group's annual meeting that the donation be reduced or omitted as a protest against high interest rates.

B&C last year gave £90,000 to the Conservatives and affiliated groups, making it one of the most generous corporate supporters of the ruling party.

Yesterday, Mr John Chapman, a shareholder, suggested from the floor that this be reduced to £80,000 to signal the company's dismay about the high interest rates which Mr John Gunn, chairman, had blamed earlier in the meeting for depressing B&C's margins, profits and volume of business.

He was followed by shareholders calling for it to be omitted altogether, in most cases because they opposed political contributions in principle. One wanted it diverted to the Greens. Others echoed Mr Gunn's position that it was in B&C's long-term interest to support the Conservatives.

Although many UK companies make political contributions, overwhelmingly to the Conservatives, B&C under Mr Gunn has led the way in seeking specific authority from its shareholders.

When Mr Gunn finally called for votes from "all in favour of the revolution...er, the resolution," the result was a foregone conclusion. Proxies representing about 44m shares had been submitted in favour of the donation, with about 10m – including some institutional investors – against.

Despite winning the vote, Mr Gunn said the board would take into account the opinions expressed in opposition.

He also defended the 1988 acquisitions of Abaco Holdings and Atlantic Computers. The former was questioned, especially, because of the impact of the weaker housing market on its estate agent subsidiary, Hamptons.

"Hamptons does not make up a very large part of B&C," he said. In 1988, it accounted for about 2½ per cent of operating profits. "This year, on current estimates it will be on break even or a small loss."

Mr Gunn also faced critical questioning about the decline in B&C's share price. To one shareholder who said he had repeatedly bought on weakness, only to see the share price go lower, Mr Gunn replied: "I have to say that the pattern of your buying is remarkably similar to mine."

Similarly, to a shareholder who inquired how he was coping with a total salary which fell from £988,847 in 1987 to £740,780 last year, Mr Gunn said: "Yes, one does manage. Don't worry."

Chairman expresses 'deep concern' over aspects of Government's White Paper

Anglia TV improves 16% to £8.9m halfway

By John Ridding

THE CONTINUED strength of advertising in the region lifted pre-tax profits at Anglia Television Group, IBA contractor for the east of England, by 16 per cent to £8.92m for the six months to the end of April.

Turnover – principally advertising revenue – increased from £47.31m to £58.55m and earnings per share rose from 11.42p to 13.29p. There is an interim dividend of 2.6p (2.35p).

Sir Peter Gibbings, chairman, said that sales of airtime increased by 19.6 per cent during the period, compared with 14.4 per cent for the network as a whole.

"Despite efforts to dampen down consumer spending, advertising revenue continues to hold up well and, subject to unforeseen circumstances, the prospects for the full year are encouraging," he said.

Programme sales increased from about £2m to £5m during the period, largely reflecting a change in the system of programme supply whereby costs for both purchases and sales have been raised.

Sir Peter expressed "deep concern" with certain aspects of the Government's White Paper on broadcasting which proposes to allocate franchises on a competitive basis after 1992.

"Despite the almost universal doubts expressed about the likely effects on programme quality of awarding franchises to the highest bidder, the Government persists in favouring this method," he said.

"We will continue to fight this proposal," he added, "and urge shareholders to draw the matter to the attention of their MPs."

Since the beginning of the year, Anglia has concluded a three-year pay and conditions deal with its four staff unions. This allows for improvements in work flexibility and links pay increases to the retail price index.

The company has also moved to set up separate profit centres through establishing a joint advertising sales company with Central Independent Television and taking a stake in an Australian television and film production and distribution company.

Anglia will receive 5.9 per cent of the proceeds of the sale of Independent Television Productions, publisher of TV Times, to Reed International. There is a pre-sale dividend of £10m, an initial payment of £113m and quarterly royalties of £2m.

● **COMMENT**

Anglia's expanding share of the network advertising pie puts it on course for pre-tax profits of £19m for the year as a whole and, notwithstanding the possibility of a hard economic landing, provides a sound base for the remainder of the current franchise.

Although next year the change in the Exchequer Levy system will take about £2m off profits, the new labour agreement will allow further cost cuts, there will be benefits from the sale of ITP and this year's programme investments will come through in revenues. As with all the ITV contractors, however, the big questions concern the period after 1992. Anglia's lucrative advertising region is likely to attract new entrants to the TV sector and, should it lose out in the franchise auctions, it is unclear how well the company which produced Survival could manage in the more competitive broadcasting jungle. Most of the risks are reflected in a prospective multiple of just over 9 which, given the rosy medium-term outlook, seems reasonable.

Sir Peter Gibbings: prospects for the year are encouraging

Refinanced Rodime resurfaces

James Buxton on the troubled disk drive maker

WHEN RODIME, the computer disk drive manufacturer, put out an anguished distress call nearly three months ago revealing enormous losses and disclosing that it was virtually insolvent, many people thought it heralded the end of the company.

Rodime, which manufactures in Scotland, Florida and Singapore, had been struggling for survival for so long in an industry now plagued by turmoil and over-capacity that it seemed probable that it would have to draw the short straw. It also seemed on the face of it questionable whether British financial institutions would step in to rescue a company that had raised much of its equity in the US.

Yet last Friday Rodime announced a rescue package which will bring in £27m in fresh cash through a deeply discounted but fully underwritten £13.4m rights issue and other new capital. The total package, involving sums worth $68m, includes the conversion of an overdraft into soft loans worth $30m and the rescheduling of $13.8m worth of debts to creditors.

The refinancing makes Bank of Scotland, Rodime's banker and provider of its overdraft, even more committed to the Scottish-based company. It is not only providing the $30m worth of loans, a $8m subordinated secured loan and subscribing to $4m worth of preference shares; it is also underwriting the rights issue which could leave it owning up to 29.9 per cent of the company. 3i (Investors in Industry), long a major shareholder, might end up with 25 per cent.

Two factors made possible the refinancing, organised by the Edinburgh merchant bankers Noble Grossart. First, institutional investors have been impressed by the new top management which arrived in April after Dr Leonard Brownlow, Rodime's founding chairman, and Mr Mervyn Brown, managing director, resigned. Both Mr Thomas Kamp, the new chairman, and Mr Peter Bailey, the managing director, have had successful careers in the US disk drive industry.

Second, Rodime has recently unveiled a new set of products which appear to have unusually good market potential and chances of not leading the company into the pitfalls of the past.

Rodime, founded in 1980 at Glenrothes in Fife by four men who spun out of a US multinational, has been highly successful at product innovation. It claims to have invented the 3½-inch disk drive, now becoming the industry standard. This brought it rapid growth up to 1985.

But Rodime failed to update its product range fast enough, and though it set up a plant at Boca Raton in Florida it was slow to begin low-cost manufacturing in Singapore, where its facility only began operating in August 1987.

Large stock write-offs contributed to a loss of £18.5m in 1987, and in 1988 it had to confront an oversupplied market in which customers beat down prices without being able to produce the volumes that would make those prices economic.

Rodime lost $34m in 1988 and has already lost $24m in the first half of this financial year.

Mr Bailey, a genial and well-fed Englishman, attributes Rodime's past problems to three factors:

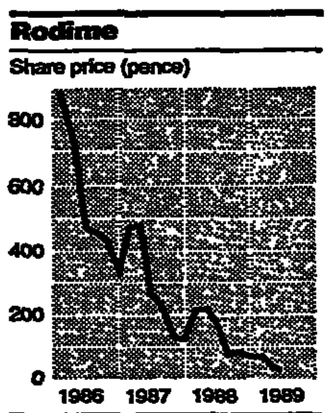
● Rodime, he says, did not build long-term relationships with its customers, the major computer manufacturers. "You've got to share with your customers where you're taking your products," he says. The old management "never understood the nature of marketing."

● Rodime moved to Boca Raton just when the rest of the industry was moving to the Far East. "Boca is excellent from a design standpoint, but dreadful as a manufacturing base because costs are very high," he says. Later, with the Singapore operation on stream as well, a relatively small company was "manufacturing in three facilities on three continents, which gets to be really interesting."

● The company focused on enhancing the performance of its products rather than on cutting the cost of manufacturing them. "You've got to design future cost reductions into the product from the start because competition will bring the price down anyway. Your peak profit margin should come when the product is about 18 months old, not when it's launched."

These problems, he says, were compounded by the fact that in the personal computer market most demand was for low capacity disk drives of about 20 megabyte (MB) data storage space, while Rodime's strength was in cramming much higher storage capacity onto its drives. As Rodime "depopulated" its drives to reduce their capacity to meet market requirements, its margins diminished.

"The good news now," says Mr Bailey, "is that the disk drive market is currently changing in Rodime's favour." Desktop workstations made by such companies as Sun Microsystems and Apollo and used by engineers, scientists and financial analysts require more and more storage capacity. Rodime now has a range of



products that offer 100 MB of storage on a 3½-inch disk drive and claims to be the first commercial producer of 200 MB drives, which it envisages taking up to 400 MB and eventually 1.2 gigabytes.

Instead of having to "depopulate" its drives by diminishing the number of components, Rodime will be able to use its skills at enhancing the capacity of its drives, which is potentially more profitable.

"We are beginning to get initial orders for the new range and hope to convert them into large orders from original equipment manufacturers in the next two months," says Mr Bailey. "If these product development programmes had not been in place the company would not have been salvageable."

The company will now mainly be competing in a smaller market with fewer rivals rather than against big cost-effective producers in the 20-40 MB market. However under its five-year product plan, agreed this week, it will also bring out a separate family of lower capacity disk drives, aimed at the personal computer market, to match the development of the high capacity drives.

Although half of Rodime's sales are in the US, Mr Bailey intends to shift some management functions from Boca Raton back to Glenrothes, where the core of the company's engineering skills lie. He believes that the troubled build-up of production at Singapore was due in part to the diffusion of the company's management between Scotland and Florida.

Only Singapore (where the company employs 400 people) will handle volume production. Boca Raton (with 165 staff) will handle some design engineering work and supply peripheral products. Glenrothes (employing 300 people) will handle design engineering and pre-production manufacturing runs.

The rescue, which Mr James Swent, finance director, says gives Rodime "an infinitely more stable capital base," is itself another sign of Rodime's return to its British roots. Bank of Scotland, with its heavy exposure to Rodime, would inevitably have played a major part in any refinancing. But Mr Swent says that the US investment community is currently "more negative towards disk drive companies than British institutions."

Though Rodime was floated on Nasdaq, the US over the counter market, it later obtained a London quotation and 70 per cent of its shareholders are now in Britain. The rights issue is not being offered to US shareholders.

Unfortunately the existing shareholders' interest is being cut to 5 per cent of the new equity by the refinancing scheme and with the new shares being offered at 7p each the old shares are hovering below the 30p mark. In 1987 they were worth as much as 600p.

Enlarged IWP improves 84% to £6.56m

IWP International, the rapidly-expanding Limerick-based conglomerate being constructed by Mr Dennis Jones, yesterday unveiled pre-tax profits ahead 84 per cent to I£7.51m (£6.56m) in the year to end-March 1989.

The advance from £4.08m came from turnover significantly up at £53.66m (£19.19m), reflecting the 12 acquisitions undertaken during the year. After tax of £2.71m (£1.54m), earnings per share worked through at 23p (17.5p). A final dividend of 3p makes 4.5p (1p) for the year.

Penny & Giles profits ahead to £2.37m

Penny & Giles International, the Dorset-based electronic instrumentation manufacturer, yesterday announced pre-tax profits of £2.37m for the year to March 31 1989 – an advance of some 15 per cent on the previous 12 months.

Turnover totalled £23.81m (£20.69m) and comprised £16.44m (£15.07m) for the UK and £7.37m (£5.62m) from export markets.

A proposed final dividend of 2.45p makes 3.5p (3p) for the year and is payable from earnings of 16.95p (14.75p) per share.

UK COMPANY NEWS

CHI advances 64% to £15.34m

By John Thornhill

CH INDUSTRIALS, the specialist engineering, building and chemicals group, increased pre-tax profits 64 per cent from £9.33m to £15.34m in the year to April 1. Turnover rose 74 per cent from £110.02m to £190.97m.

Strong growth was achieved in the specialist engineering division, which encompasses *the group's interests in sunroofs*, vehicle components, and train interiors. Turnover – boosted by two acquisitions – almost doubled to £81.88m (£41.31m) with operating profits up 72 per cent to £6.1m (£3.56m).

The first full year's contribution from Gripperrods, the floorcovering accessory products manufacturer, helped push profits in the household products and furnishings up 41 per cent to £3.6m (£2.56m). Turnover, however, rose 91 per cent to £42.36m (£22.15m). The declining margins were attributed to furniture activities which produced an overall loss. CHI has now reorganised the management in this division and said that it would perform better in the current year.

Alan Harper
Tim Hearley: strong growth in specialist engineering

Improved margins for building products and a strong contribution from the Windeck acquisition almost doubled operating profits in the chemicals and polymer products divisions to £2.65m (£1.33m), on sales ahead just 8 per cent at £34.26m (£31.66m).

However, the office products and shopfitting operations recorded a fall in profits from £2.43m to £2.27m. Turnover rose strongly to £22.84m (£14.02m) but a declining number of shopfitting contracts meant that these activities did not contribute in the second half.

Property sales and investment income contributed £4.57m (£2m) and profits from associated companies amounted to £1.47m (£1.85m), including a £791,000 contribution from Manganese Bronze Holdings.

A final dividend of 3.825p increases the total to 4.875p (3.75p), an increase of 30 per cent. Fully diluted earnings per share increased at the same rate to 16.52p (12.67p).

An extraordinary loss of £4.17m included costs of a disposal and a £2.8m charge relating to plant problems at its Cheri-Foam subsidiary. A £5m writ has been served on the plant manufacturer.

● **COMMENT**

CHI has had a pretty impressive run in recent years and there seem to be few reasons to believe that this rate of progress *will not continue in the* immediate future. The company has not been afraid to make acquisitions and issue paper but, commendably, this has not detracted from its ability to achieve healthy earnings growth. Just under half of turnover now comes from transport-related activities and this area would seem to offer the main motor of future growth. But other markets may soften this year and CHI's experiences in the shopfitting sector show it is not invulnerable. Money raised from a preference share issue in February gives CHI the wherewithal to make acquisitions without wrecking its balance sheet. These may take the form of small "infill" acquisitions or a major purchase, or conceivably both. Something, although it is not clear exactly what, may also come from CHI's shareholdings in Ricardo Consulting Engineers, Scott & Robertson, and Manganese Bronze Holdings. Pre-tax profits may rise to about £20m putting CHI on an undemanding prospective multiple of about 8.5.

ERF steps up a gear with rise to £7.84m

By Graham Deller

ERF (Holdings), Britain's last publicity-quoted independent truck manufacturer, yesterday *reported another confident* step in its recovery from the uncertain performance of the mid-1980's.

In the 12 months to April 1, the Cheshire-based group achieved pre-tax profits of £7.84m – a rise of 40 per cent on the £5.61m attained in the previous year and a far cry from the losses of £440,000 sustained in the 1984-85 year.

However. a cautious note was sounded by Mr Peter Foden, chairman. It was difficult to predict market trends, he stated, due to the Chancellor's determination to hold down inflation

Mr Foden said the group anticipated a "hardening of the market, especially in the consumer retailing sectors". There was, on the other hand, still a strong demand for the company's new E6 and E8 medium range vehicles.

Tax, charged at just over 29 per cent, amounted to £2.3m (£431,000), leaving earnings of 66.48p (65.42p) per share.

The dividend for the year is raised to 15p (9p) via a recommended final of 11p.

Burns-Anderson up by 12% and in £13m purchase

BURNS-Anderson Group, the acquisitive financial services and recruitment company of which Sir John Harvey-Jones is non-executive chairman, reported interim pre-tax 12 per *cent higher at £1.51m, against* £1.35m. It also announced a further acquisition.

Turnover for the six months to the end of March almost doubled from £5.29m to £10.16m. After tax of £528,000 (£473,000), earnings per share worked through at 3.81p (3.52p).

An interim dividend of 1.9p (1.75p) has been declared.

The group is buying Ultimate Response, a marketing services company, for a maximum of £12.87m. An initial payment of £1.69m will be satisfied by £50,000 cash and the balance in shares. Further payments will be made on a profit-related basis.

Ultimate had taxable profits of £432,000 in 1988.

Sir John said that the group had changed substantially in the six months with the development of Burns-Anderson Independent Network, the wholly-owned financial services subsidiary, and the rapid expansion of the recruitment division.

Since the end of the period the network, a group of financial advisory firms, had raised £3m by offering 11 institutions 3m convertible preference shares. It is hoped to float the network within five years when the institutions will *receive ordinary shares worth* £1.50 for each convertible share.

Overall the financial services division was said to be satisfactory producing 65 per cent of operating profits.

The recruitment division expanded during the six months with seven acqusitions for £5.5m. It now operates 35 staff agency branches and 10 training centres.

The division's trading is weighted towards the summer months and the proportion of group profits is expected to be higher in the present period.

Hilclare up 48%

Hilclare, a manufacturer of electronic, security and lighting products, lifted taxable profits 48 per cent from £179,000 to £265,000 in the 12 months to March 31 1989.

Turnover of this Third Market listed group expanded to £1.93m (£1.14m). Tax took *£84,000 (£54,000) resulting in* earnings per 10p share rising from 4.8p to 6.6p.

Erostin tops prospectus forecast with £7.51m

EROSTIN GROUP, the property developer which came to the market last July, lifted pre-tax profits 85 per cent from £4.07m to £7.51m in the year to April 5, comfortably exceeding the £6.2m forecast in its prospectus.

Group turnover more than doubled to £54.19m (£26.55m). The balance between residential and commercial development was substantially altered in the period to mitigate the effects on the group of the decline in the housing market in the second half.

While residential pre-tax profits rose 65 per cent to £3.93m on turnover up 62 per cent to £21.18m, the commercial side almost trebled profits to £3.6m (£1.24m) on turnover up almost fivefold to £19.21m (£4.12m).

Tax took £2.77m (£1.48m), leaving earnings per share at 22.9p (16.5p) at the basic level and 22.4p (16.5p) fully diluted.

A final dividend of 4p has been proposed to make 6p for the year – 9 per cent ahead of the forecast 5.5p.

After allowing for the dividend payment, the company's net assets have increased to *£20.7m or 94p per share*, a rise of 20 per cent on last time's adjusted figure.

Management buy-out of Dowty hydraulics side

By Vanessa Houlder

DOWTY GROUP, the electronics and engineering company, has completed the sale of three hydraulics businesses to a management buy-out team.

The sale, which follows last month's management buy-out of its mining equipment subsidiary, completes the disposals of Dowty's non-core divisions.

It now consists of four core operations: aerospace, electronic systems, information technology and polymer engineering.

Dowty has sold Dowty Hydraulic Units and Hydrostatic Transmissions, both based in the UK and the US-based Dowty Industrial Corporation.

The total payment, which includes the repayment of intra-group loans, will be £7.1m, to be paid in three instalments. The net assets of the three companies at March 31 were £10.1m.

The management team is led by Mr Derek Burton, previously operations director of Dowty Hydraulic Units and is backed by SUMIT, a Birmingham-based investment group.

Tavern Leisure to join Third Market with £7.67m value

TAVERN LEISURE is joining the Third Market through a placing and offer for subscription which values the Oxford-based public house and catering group at £7.67m, writes Vanessa Houlder.

Jacobson Townsley is organising a placing and preferential offer for subscription for shares to existing shareholders under the Business Expansion Scheme. Shares are being issued at 30p apiece, representing 65.1 per cent of the enlarged share capital.

The company is raising £4.7m in order to buy, refurbish and develop 31 new pubs. At present the company has 11 pubs, which made gross profits of £143,000 on turnover of £529,800 in the year to March 31, when they traded for an average of four months.

Orbital placing 6m shares to raise £3m

By Vanessa Houlder

ORBITAL Communications, a greenfield company providing cellular telephone services, is raising £3m through a placing on the third market.

Baynard Securities is selling 6m shares at 50p each, representing 37.5 per cent of its equity.

Orbital's main purpose in joining the market is to acquire a licence to provide services and to meet the capital requirements for the holder of the licence. At present, Orbital has a conditional agreement with Racal-Vodafone, under which it will act as an intermediate providing telephone equipment and maintenance services to the end user.

At present, the group's main activities include the sale and rental of cellular and other office communications equipment to both corporate and individual users.

The company currently has three year contracts with three car-rental companies for the installation and maintenance of 115 telephones. The company said it wanted to develop its activities further through joint marketing ventures with car rental, car leasing, chauffeur driven and private taxi companies.

Amber Ind expands 27%

AMBER Industrial Holdings, controlled by Caledonian Investments, improved pre-tax profits 27 per cent to £1.55m in the year to March 31 against a previous £1.22m.

A final dividend of 9.75p (7.75p) is proposed for a total of 13.5p (11p).

Earnings per 10p share improved from 28.3p to 34.5p after tax of £648,000 (£481,000).

The group has interests in industrial aerosols, silicone products and sealants, and the provision of refractory installation services. Turnover advanced from £10.06m to £11.36m.

The directors said it was not possible to make predictions about the current year's trading.

COMMODITIES AND AGRICULTURE

Coffee price fall triggers cut in arabica quotas

By David Blackwell

THE SUDDEN sharp fall in coffee prices which followed the collapse early last week of talks on the future of the international agreement led to a big cut in the International Coffee Organisation's export quotas yesterday.

But the terminal markets, which are in any case expecting a free-for-all from October 1 when the present coffee agreement expires, were expecting the cut which had little impact on prices.

The quota reduction of just over 1.5m bags was triggered by a fall in the ICO 15-day average indicator for arabica coffees to below 130 cents a lb for the first time since the present export quota system was agreed last September. It comprises two cuts of 766,200 bags (60 kg each) to be applied in the July-September quarter.

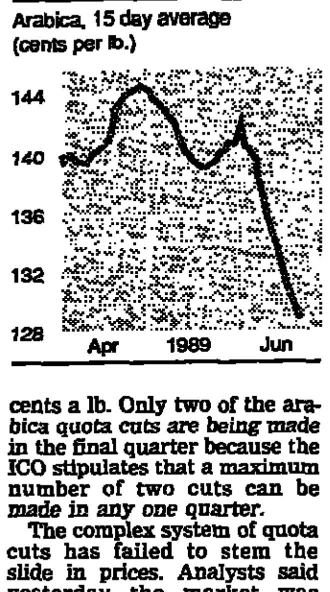
The reductions are a hang over from quota cuts made earlier this year when the overall average price for robusta and arabica coffees fell below the ICO's 120 cents a lb defence level. Since then the average indicator has fallen to 107.38 cents a lb.

So far, four quota cuts have been made, but until now they had applied only to the less-favoured robustas because arabica prices remained above 130 cents a lb. Only two of the arabica quota cuts are being made in the final quarter because the ICO stipulates that a maximum number of two cuts can be made in any one quarter.

The complex system of quota cuts has failed to stem the slide in prices. Analysts said yesterday the market was expecting a free-for-all in October, and were marking time until July 3, when delegates return to London to vote on proposals for the future of the agreement. The vote is expected to back a continuation of the agreement, but with no economic provisions.

Coffee price

Arabica, 15 day average (cents per lb.)



Nigeria sells further 20% stake in oil field

By John Wyles in Rome and Max Wilkinson in London

NIGERIA HAS agreed to sell 20 per cent of its 11.8bn barrel southern oilfields to a group of international oil companies including Agip of Italy and Royal Dutch Shell, which already owns 20 per cent of the reserves.

Agip, the Italian state-owned petroleum company has paid just over L700bn (£320m) for a 5 per cent stake in the oilfields which is expected to give it crude oil reserves of around 600m barrels.

A Shell official in London declined to comment on the deal. However, an announcement that the Anglo-Dutch company is increasing its stake in Nigeria can be expected soon.

The deal, announced by Eni, the Italian state energy holding company, is the largest of its kind it has ever made. It more than doubles the total of Italy's directly owned crude oil reserves, hitherto standing at 450m barrels. It also gives Agip access to 75bn cubic metres of gas and raises from 28pc to 32pc the proportion of Italy's oil and gas requirements which can be satisfied from Eni's own reserves.

"With this purchase, which costs around $1 a barrel, we have laid the ground for a greater security of supply for Italy," said Mr Franco Reviglio, the president of Eni. The immediate result is that Agip's take from the Nigerian field can rise almost immediately from 50,000 to 100,000 barrels a day.

Eni says that the deal follows a decision by the Nigerian Government to reduce its holding in the field from 80 per cent to 60 per cent. Nigerian production will raise its total worldwide output to 750,000 barrels a day of oil and gas, bringing within very close reach its target for 1992 of 780,000 barrels a day of hydrocarbons production.

According to Eni, the Nigerian field has total recoverable reserves of 11.8bn barrels of oil and 1.5bn cubic feet of gas. Agip's concession is on-shore and covers an area of 27,000 square kilometres.

Ministry shines green light on UK farming

By Bridget Bloom, Agriculture Correspondent

THE BOOKLET is glossy and its contents the purest Green: clearly, it describes one of the star exhibits of the British Government's recent conversion to environmental friendliness.

Published in full colour by the British Ministry of Agriculture Fisheries and Food this week, the booklet in question is simply titled Environmentally Sensitive Areas.

The schemes it describes, to encourage farmers to operate in an environmentally friendly way, in fact were conceived in the mid 1980s, long before Mrs Thatcher's famous Green speech last September.

But that they were needed at all is itself testimony to the environmental depradations by farmers who had been encouraged by government policies to produce ever more food without thought for the wider consequences. It is only in these times of surpluses and above all costly farm budgets that a gentler approach seems more appropriate.

Britain is so far the only European Community country to have introduced ESAs. Nineteen areas have been designated since 1987, covering 333,000m hectares and involving around 3,000 farmers.

The 19 areas differ widely, from the wetlands of the Somerset levels to the sandy heath of the Suffolk Breckland.

In each, however, the aim is conservation. Under ESA rules, farmers must maintain hedges, stone walls and drinking ponds, be sparing with chemicals, plough very little and graze less intensively.

Generous grants are available - from £70 a hectare for managing riverine pasture to £200 a hectare for turning cereal land into traditional meadow.

Farmers, according to the booklet, are responding well. Certainly all the conservationists including the Government's own adviser, the Countryside Commission are keen to see more ESAs.

The new booklet is cautious. It notes, however, that the ministry is to spend £150,000 to monitor the impact and the net exchequer costs of the ESAs over the next two years, presumably with their extension in mind.

Meanwhile, the booklet will come in handy when the Government feels like burnishing its Green image to visitors. Among the first of these will be Mr Henri Nallet the French farm minister who will be taken to deepest Suffolk next month and shown the ESA sights there.

*HMSO and booksellers. £7.50

Chilean copper project ahead of schedule

Barbara Durr reports that the Escondida mine could be in production by April 1991

CHILE'S LA Escondida copper mine, expected to become the world's third largest producer, is due to come on line at least four months ahead of schedule in 1991. Company officials say that the rapid pace of construction will allow them to begin ore recovery by April instead of August 1991.

The mine is expected to have an annual output of 320,000 tonnes a year. The ore body contains 1.8bn tonnes of 1.59 per cent copper and the company intends to use 662m tonnes with an average ore grade of 2.12 per cent. This gives La Escondida a 52-year life span under the current plans.

With $1.14bn invested in La Escondida (which means "the hidden one"), its owners are keen to push the project along as quickly as possible. It is owned 57.5 per cent by BHP of Australia, Rio Tinto Zinc of the UK holds 30 per cent, a consortium of Japanese investors led by Mitsubishi holds 10 per cent and the International Finance Corporation, the World Bank's private sector arm, holds 2.5 per cent.

The Chilean company set up to operate La Escondida, called Minera Escondida Ltd (MEL) has been pressing its subcontractors hard to move quickly. The Chilean company contracted for initial pre-stripping for example is already 35 per cent ahead of schedule. MEL officials say that they have had little trouble with equipment so far and they praise their Chilean employees and subcontractors as highly efficient. By the end of this year, Mr Robert Hickman, MEL's general manager, said that one third of the 172m tonnes of cover will be stripped, construction of the concentrator will be well under way and, most importantly, processing equipment will have been delivered.

For now, a camp of approximately 2,000 workers is virtually completed at the mine site, an airstrip and an access road have been built, the basic engineering design is finished and all major equipment is ordered.

The company is currently negotiating contracts for the remaining 23 per cent of its production that is uncommitted. It said potential sales are to buyers in Chile, the US, South Korea, Spain and Canada. Under the unusual financing agreements for the project, 77 per cent of its production was committed in 12-year contracts. A consortium of Japanese smelters bought 50 per cent, Noddeutsche Affinerie of West Germany took another 20 per cent and Outokumpu of Finland bought 7 per cent.

The contracts were used as the basis for financing from the Japanese Export Import Bank and several Japanese banks ($350m), West Germany's Kreditanstalt fur Wiederaufbau ($140m), and a bank syndicate led by Kansallis-Osake-Pankki and guaranteed by Vientitakuulaitos of Finland ($47m). The International Finance Corporation put up $70m. Another $73m in suppliers' credits is coming from Canada's Export Development Corporation, KfW and a Mitsubishi affiliate. The remaining $463m is being invested by the owners.

Other large new mines such as Neves Corvo in Portugal, OK Tedi in Papua New Guinea and Olympic Dam in Australia will contribute to excess production in the early 1990s, according to Mr Hickman, and copper prices will fall considerably. With Growth of copper demand estimated at just 1 per cent per year over the next decade, and lower prices, Mr Hickman predicts a weeding out of the industry. Older and less efficient mines will be forced to close.

La Escondida, estimated to produce for just 40 US cents per pound, will be able to ride out the price fall, according to Mr Hickman. Chile is already one of the world's lowest cost producers and the country can be expected to dominate copper production in the 1990s. The only two copper mines in the world larger than La Escondida are also here - Chuquicamata, which produced 520,000 tonnes last year and El Teniente, which produced about 354,000 tonnes. Chuquicamata, with an ore grade of just 1.5 per cent, produces for about 45 cents per pound.

Chilean officials are already predicting that the copper price could drop to 80 cents a lb by next year. During May, copper fell 12.3 per cent to an average price of 124.15 cents. Although Chile has diversified its exports, the metal still accounted for over half its $7bn in export income last year.

The gloominess of price predictions is not having an effect on Antofogasta, the town perched on the northern desert coast 180km from the mine. It is booming from the impact of La Escondida. The influx of workers and subcontracting personnel has forced house prices to double. A growing housing shortage has meant that MEL is projecting construction of 200 to 300 housing units. Some 30 flats and 15 houses have already been completed.

The town's old-timers do not seem too ruffled. Antofogasta has seen other boom times. In the 19th century, the nitrate business was big and the British, to serve their investments in the area, built a railway from Bolivia to Antofogasta the railroad, which passes near La Escondida, still works. As a monument to those good old days, a clocktower sits in the palm studded central square, a gift to Antofogasta in 1910 from the British colony.

PAPUA NEW Guinea will impose a state of emergency on Bougainville island next week to quell a rebellion by landowners demanding heavy compensation for mining operations on their land, reports Reuter from Port Moresby.

Government officials said the emergency laws would come into effect on Monday, marking the end of efforts to reach a peaceful settlement with the rebels, who have waged a violent campaign for seven months.

The rebels, numbering around 100 and supported by thousands of tribesmen, demand secession and huge compensation for environmental damage caused by the giant open cast copper mine, operated by Bougainville Copper.

At least 15 people, including three soldiers, have died in the violence which forced the mine's indefinite closure on May 15, cost the government vital revenue and damaged the economy.

South African ferro-alloy prices reduced

By Jim Jones in Johannesburg

SOUTH AFRICA'S ferro-alloys producers, who face the prospect of over-supply later this year have cut export prices for third quarter deliveries.

The country's principal ferro-chrome producers have reduced their quotes for US customers to 82 US cents a lb from the second quarter's 84½ cents while Highveld Steel & Vanadium has sliced vanadium pentoxide prices to an effective $6.30 a lb from the second quarter's $7.50.

Late last year ferro-chrome producers were confidently predicting progressively higher prices throughout 1989 as strong demand from stainless steel producers and stocks rebuilding was expected easily to absorb planned production increases. The reality seems to be proving different.

According to Mr Deon Toerien of Samancor, stainless steel stockists have reduced purchases in expectation of lower steel prices as nickel prices tumble. That has exacerbated the third quarter's seasonally lower demand for raw materials as northern hemisphere steelmakers reduce production during the summer holidays. Mr Toerien says European steelmakers were unhappy with the effect the dollar's strength had had on ferro-chrome prices calculated in European currencies.

Samancor's decision to reduce third quarter prices was designed in part to address this problem, he adds. Other industry executives echo him. Mr Gert Jonker of Consolidated Metallurgical Industries believes steelmakers expect the market will soon be flooded with ferro-chrome. A new South African producer came on stream recently with an annual production capacity of 150,000 tonnes while, within the next few months, Samancor and CMI are also to commission new capacity.

Mr Jonker says it is not inconceivable that ferro-chrome export prices could fall as low as 50 cents a lb during the next 12 months though he adds the caveat that supplies will be reduced as producers carry out long-delayed maintenance on their currently over-worked furnaces.

Mr Paddy Probert of Middelburg Steel & Alloys underscores Mr Jonker's views. He sees an additional 1m tonnes of ferro-chrome capacity being introduced in 1990 and a further 1m tonnes the year after.

Last year the world produced just over 2.2m tonnes. Next year, Mr Probert says, total world production could reach 3.2m tonnes against consumption estimated at only 2.7m tonnes. Part of the excess will be diverted to re-building ferro-chrome stocks – at present users and producers have stocks equivalent to just over one month's consumption against the more normal four months level.

Nevertheless, Mr Probert believes the ferro-chrome industry has entered "a bear market."

The South Africans will remain profitable even if ferro-chrome prices do drop to 50 cents a lb – average production costs are only 30 cents. However, producers in other countries could be pushed into the red.

Highveld has reduced its vanadium pentoxide quote in response to sharply lower ferro-vanadium prices and spot market pentoxide levels. During the first quarter Highveld sold at $4.50 a lb but lifted its $2.50 surcharge for the second quarter. At that stage spot pentoxide prices were reaching $11 a lb as specialty steelmakers scrambled for supplies at any price.

The panic element has died down says Mr Geoff Chegwidden, Highveld's marketing manager. Steelmakers were frightened that Chinese supplies were drying up. This is confirmed by another industry executive who says Chinese vanadium producers visiting South Africa this week claim to have withdrawn from the market because their costs now exceed prices. In contrast, Japanese steelmakers have tried to put pressure on South African producers by saying that China is offering pentoxide at levels well below Highveld's benchmark price.

Jamaica 'will meet banana target'

JAMAICA'S BANANA industry, which was destroyed by a hurricane last September, will achieve its export target of 45,000 tonnes of fruit to Britain this year, according to the island's Banana Export Company, writes Canute James in Kingston.

The Company said shipments to Britain were running at 1,800 tonnes a week. Exports, which were halted after the storm, resumed last month. The island's shipments to Britain last year totalled 28,000 tonnes.

US drought comes to a damp end

By Nancy Dunne in Washington

THE GREAT US Drought of 1988 has come to a very damp end. In fact, some areas of the country — particularly the Eastern Corn Belt — are now having too much rain.

Other areas "remain vulnerable" to dry weather, according to the US Agriculture Department. But recent rainfall has so improved the outlook for the spring wheat crop, that total US wheat production could jump by 13 per cent.

The USDA is predicting a record world wheat crop for 1989-90. Consumption is still likely to exceed output, and world stocks should continue to drop, despite high prices. Lower US stocks and increased foreign production are expected to knock down US wheat exports by 20 per cent.

Net US farm income is expected to rise by about 10 to 15 per cent this year, but cash income is expected to drop. The drought pushed up the value of last year's stocks; this year's rebuilding will mean less cash received.

American feed grain production is forecast to rise 56 per cent over last year's drought-reduced levels.

WORLD COMMODITIES PRICES

LONDON MARKETS

SUGAR prices rose sharply yesterday on unconfirmed reports that a French trade house may have sold two cargoes of white sugar to the Soviet Union. The London Daily Price for raws was $337 a tonne, up $15.20. The main driving force in the recent price advance has been growing concern over the tight supplies of white sugar. On the LME the dollar's strength against sterling put nickel prices under further pressure. The current downtrend also reflects a lack of significant consumer offtake in Europe, dealers said. Copper prices were also dominated by currency factors. The market is now testing chart support around $2,450 per tonne, which was reached briefly during overnight inter-office dealings after heavy selling prompted by Noranda's settlement of a new three-year labour contract.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.90-5.00w	+.375
Brent Blend	$17.20-7.30v	+0.47
W.T.I. (1 pm est)	$19.23-9.28w	-0.02
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$200-202	+3
Gas Oil	$140-142	+3
Heavy Fuel Oil	$87-89	+3
Naphtha	$164-167	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$370.25	+4.25
Silver (per troy oz)♣	532c	+6
Platinum (per troy oz)	$504.10	+9.25
Palladium (per troy oz)	$154.00	+0.75
Aluminium (free market)	$1905	+15
Copper (US Producer)	122⅝-127c	+2
Lead (US Producer)	38c	
Nickel (free market)	530c	
Tin (European free market)	$10200	+135
Tin (Kuala Lumpur market)	26.68r	+0.08
Tin (New York)	468.5c	+3.5
Zinc (US Prime Western)	80⅞c	
Cattle (live weight)†	120.40p	-0.92*
Sheep (dead weight)†	167.29p	-17.0*
Pigs (live weight)†	83.83p	-5.94*
London daily sugar (raw)	$337.0x	+15.2
London daily sugar (white)	$418x	+24
Tate and Lyle export price	£330.5	+8.5
Barley (English feed)	£108v	
Maize (US No. 3 yellow)	£132.0	+0.5
Wheat (US Dark Northern)	£132u	
Rubber (spot)♥	60p	
Rubber (Jul)♥	64p	-1
Rubber (Aug)♥	64.75p	-1.00
Rubber (KL RSS No 1 Jul)	256m	-1
Coconut oil (Philippines)§	$570u	
Palm Oil (Malaysian)§	$370v	
Copra (Philippines)§	$355	
Soyabeans (US)	£208u	
Cotton "A" Index	80.40	+1.05
Wooltops (64s Super)	823p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Jul/Aug. w-Aug. z-Aug/Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jul	816	807	817 804
Sep	840	828	840 824
Dec	898	881	898 880
Mar	882	872	884 873
May	891	881	891 880
Jul	904	898	904 898
Sep	924	914	920 909

Turnover:4641 (4684) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 21 1012.07 (1003.07) :10 day average for Jun 22 1009.42 (1004.58)

COFFEE £/tonne

	Close	Previous	High/Low
Jul	1113	1128	1125 1110
Sep	1091	1106	1098 1090
Nov	1089	1103	1091 1083
Jan	1096	1116	1103 1097
Mar	1113	1130	1113 1108
May	1125	1135	
Jul	1140	1160	1140

Turnover:2079 (2817) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 21: Comp. daily 101.51 (101.36) . 15 day average 107.38 (108.26)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	310.00	291.00	310.80 295.00
Oct	309.80	290.60	310.80 294.00
Dec	299.00	281.00	285.00
Mar	285.80	272.00	287.40 277.00
May	282.80	271.00	278.20 277.00
Aug	280.00	269.00	
Oct	272.00	262.00	268.00
White	**Close**	**Previous**	**High/Low**
Aug	416.00	389.00	416.00 394.00
Oct	375.00	356.00	377.50 366.00
Dec	385.50	347.00	365.00 359.00
Mar	352.00	334.50	349.00 346.00

Turnover: Raw 11391 (5217)lots of 50 tonnes. White 1408 (1502).
Paris- White (FFr per tonne): Aug 2727 Oct 2470, Dec 2365, Mar 2295, May 2285, Aug 2275, Oct 2145.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Aug	16.89	16.50	16.90 16.53
Sep	16.66	16.33	16.66 16.36
IPE Index	16.45	16.32	

Turnover: 8189 (5044)

GAS OIL $/tonne

	Close	Previous	High/Low
Jul	140.00	138.00	140.00 138.00
Aug	140.00	137.75	140.00 138.00
Sep	141.00	138.50	141.00 138.50
Oct	142.25	140.00	141.75 140.00
Nov	144.00	141.75	143.50 141.75
Dec	146.00	143.50	145.00 144.00

Turnover 8665 (5070)lots of 100 tonnes

FRUIT AND VEGETABLES
French cherries are more plentiful this week 60p-£1.00 a lb (70p-£1.20) and English crops are now also available at 80p-£1.00, reports FFVIB. Spanish plums are 50-70p (55-85p), homegrown gooseberries 40-60p (60-70p), and the first homegrown raspberries are 80p-£1.00 a ½lb. Homegrown cauliflowers are 40-60p each (60-80p), and homegrown new potatoes are 16-22p a lb (16-25p). English peas are in full season 40-60p (60-80p). Spanish asparagus are £1.75-2.10 and Dutch onions 14-20p. British and imported iceberg lettuse are 40-80p a head (55-85p), tomatoes 45-65p a lb, cucumbers 40-60p each and watercress 30-40p a bunch.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						*Ring turnover 11,400 tonne*
Cash	1890-900	1900-10		1900-5		
3 months	1845-50	1835-40	1855/1843	1853-5	1845-50	33,023 lots
Copper, Grade A (£ per tonne)						*Ring turnover 28,850 tonne*
Cash	1619-21	1637-9	1635/1634	1633-5		
3 months	1610-3	1626-7	1628/1600	1615-6	1605-6	74,769 lots
Lead (£ per tonne)						*Ring turnover 5,975 tonne*
Cash	412-4	414-5	418	418-20		
3 months	402-4	405-6.5	410/404	408-9	403-4	9,651 lots
Nickel ($ per tonne)						*Ring turnover 1,578 tonne*
Cash	11400-500	11500-700	11500	11450-500		
3 months	10850-75	10850-75	10950/10810	10875-900	10850-900	6,986 lots
Tin ($ per tonne)						*Ring turnover 415 tonne*
July 3	10150-200	10100-50		10200-25		
3 months	10090-100	10050-60	10170/10010	10110-25	10055-60	1,901 lots
Zinc, Special High Grade ($ per tonne)						*Ring turnover 9,050 tonne*
Cash	1615-25	1620-30	1640/1630	1630-3		
3 months	1581-3	1555-7	1585/1580	1580-5	1580-60	10,876 lots
Zinc ($ per tonne)						*Ring turnover 6,075 tonne*
Cash	1505-15	1500-10	1515/1514	1514-5		
3 months	1470-3	1462-5	1480/1470	1473-5	1470-5	9,180 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	130.0	143.0	125.0
Feb	160.0	170.0	
Apr	214.0	241.5	228.5 210.0
May	240.0	262.0	243.5 233.0

Turnover 1063 (858) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	157.00	156.70	158.00 157.00
Oct	158.00	158.00	157.50 155.80
Dec	154.00	154.50	153.80

Turnover 84 (230)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jun	1390	1400	1395 1380
Jul	1348	1350	1350 1335
Oct	1482	1481	1483 1467
Jan	1520	1518	1520 1508
Apr	1547	1550	1550 1545
BFI	1407	1400	

Turnover 191 (171)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jun	111.25	111.20	111.25 111.00
Sep	107.50	106.80	107.50 106.85
Nov	110.50	109.80	110.50 109.50
Jan	114.25	113.50	114.10 113.25
Mar	117.35	116.55	117.25 116.50
May	120.75	120.00	120.50 120.00
Jun	122.50	121.60	122.50 121.40
Barley	**Close**	**Previous**	**High/Low**
Sep	105.00	104.65	104.85 104.30
Nov	108.80	108.50	108.80 108.40
Jan	112.00	111.75	

Turnover: Wheat 280 (351). Barley 48 (101). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	114.5	115.0	
Aug	110.5	110.0	110.0
Oct	115.0	115.0	114.5

Turnover 30 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	370-370½	237½-238
Opening	370½-371	237¼-238⅛
Morning fix	370.4	237.132
Afternoon fix	369.75	236.867
Day's high	371½-372	
Day's low	369½-370	

Coins	$ price	£ equivalent
Mapleleaf	381-386	244½-247½
Britannia	381-386	244½-247½
US Eagle	381-386	244½-247½
Angel	380-385	243⅝-246⅞
Krugerrand	369-372	236½-238½
New Sov.	87-88	55¾-56½
Old Sov.	87-88	55¾-56½
Noble Plat	506.35-514.45	328.75-328.95

Silver fix	p/fine oz	US cts equiv
Spot	341.45	532.70
3 months	353.45	545.50
6 months	365.90	558.00
12 months	390.45	583.75

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1800	105	107	13	57
1900	42	60	49	108
2000	12	30	118	176
Copper (Grade A)	**Calls**		**Puts**	
2400	129	154	16	88
2500	68	105	50	135
2600	24	69	110	196

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
1050	89	84	58	46
1100	74	63	83	75
1150	54	43	113	105
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
800	55		16	
850	28	83	38	38
900	12	57	72	60

US MARKETS

IN THE METALS, prices drifted lower in most markets after lacklustre trading, reports Drexel Burnham Lambert. Copper futures were again active closing lower after choppy trading. In the softs, sugar rallied sharply from news of Russian tender activity. The July contract closed at 1399 up 94. Cocoa prices also advanced with fund short covering and commission house buying noted. Coffee was higher but switch activity made up most of the volume. The grains were all lower as commission house selling was featured late in the day. The soy complex had the biggest declines led by the July beans losing 15 cents basis July. Corn and wheat futures closed soft in light volume. The livestocks all featured quiet sessions with prices closing mixed. The energy market gained slightly after sluggish trading.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	371.0	372.4	372.2	372.0
Jul	372.1	373.5	0	0
Aug	374.2	375.7	376.2	372.8
Oct	378.3	379.9	380.0	376.8
Dec	382.7	384.3	384.8	381.4
Feb	386.9	388.5	0	0
Apr	391.3	392.9	391.1	391.1
Jun	395.6	397.2	395.5	395.0
Aug	399.9	401.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	503.7	501.8	507.0	498.0
Oct	505.6	503.8	509.0	499.0
Jan	506.9	504.8	508.0	506.0
Apr	510.4	508.3	0	0
Jul	514.1	512.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	529.2	528.5	528.5	529.5
Jul	530.3	529.8	537.8	526.0
Aug	534.8	534.3	0	0
Sep	539.8	539.0	547.0	535.5
Dec	552.5	551.8	560.0	549.0
Jan	556.0	555.3	0	0
Mar	584.5	583.8	570.0	562.0
May	573.1	572.4	578.5	571.0
Jul	581.9	581.3	0	0
Sep	590.8	590.2	596.0	596.0

INDICES

REUTERS (Base: September 18 1931 = 100)			
June 21	Jun 20	mnth ago	yr ago
2020.3	2024.9	2010.9	1977.1

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	133.61	133.66	133.56	142.39
Futures	132.44	132.84	132.16	145.53

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	107.30	107.70	107.30	107.30
Jul	107.40	108.10	110.10	106.00
Aug	106.90	106.85	0	0
Sep	106.40	106.00	107.99	105.80
Dec	104.40	103.80	105.00	103.90

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	19.31	19.31	19.55	19.08
Sep	18.53	18.46	18.67	18.36
Oct	18.10	18.01	18.19	18.00
Nov	17.77	17.72	17.87	17.72
Dec	17.64	17.53	17.70	17.55
Jan	17.50	17.41	17.55	17.45
Feb	17.43	17.35	17.48	17.35
Mar	17.39	17.32	17.45	17.35
Apr	17.40	17.30	17.40	17.40
May	17.35	17.27	17.40	17.35

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4795	4798	4835	4730
Aug	4820	4807	4850	4755
Sep	4890	4867	4910	4830
Oct	4965	4932	4965	4900
Jan	5120	5077	5135	5075
Feb	5030	5017	5030	5000
Mar	4850	4857	4860	4845

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1175	1135	1183	1144
Sep	1196	1175	1205	1185
Dec	1231	1213	1237	1223
Mar	1245	1232	1255	1240
May	1256	1245	1261	1252
Jul	1278	1263	1275	1275
Sep	1292	1273	1298	1292

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	118.69	116.27	119.00	117.00
Sep	112.82	111.03	112.70	111.60
Dec	109.25	108.00	109.50	108.50
Mar	110.00	109.00	110.10	109.25
May	111.75	110.00	0	0
Jul	111.53	112.13	0	0
Sep	110.00	111.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	13.99	13.05	14.03	13.58
Oct	13.91	13.07	14.00	13.56
Jan	12.60	12.10	12.10	12.10
Mar	12.76	12.28	12.76	12.65
May	12.63	12.13	12.63	12.47
Jul	12.45	11.95	12.45	12.25
Oct	12.33	11.83	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	68.80	68.60	69.15	68.40
Oct	70.80	70.66	71.07	70.40
Dec	71.02	70.92	71.40	70.80
Mar	72.20	71.75	72.20	71.50
May	72.66	72.10	72.66	71.90
Jul	72.80	72.45	72.80	72.45

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	181.00	179.00	181.60	179.95
Sep	165.15	163.50	165.50	162.65
Nov	154.80	153.60	156.00	154.20
Jan	151.80	149.60	151.80	149.65
Mar	151.20	149.00	149.15	149.15
May	150.80	148.20	0	0
Jul	150.80	148.20	0	0
Sep	150.80	148.20	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	723/4	738/4	744/4	720/0
Aug	695/0	710/0	714/4	694/0
Sep	655/2	673/4	673/4	653/4
Nov	637/4	656/4	656/0	635/0
Jan	643/6	665/6	664/0	643/4
Mar	654/0	673/2	671/0	652/0
May	658/0	680/0	677/0	658/0
Jul	658/0	680/2	677/0	658/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.68	20.97	21.02	20.58
Aug	20.87	21.19	21.24	20.75
Sep	21.03	21.36	21.43	20.92
Oct	21.20	21.58	21.60	21.10
Dec	21.46	21.87	21.87	21.36
Jan	21.52	21.90	21.92	21.50
Mar	21.85	22.25	22.10	21.80
May	21.99	22.35	22.20	21.96

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	214.7	218.2	221.3	214.5
Aug	208.2	212.2	214.5	208.0
Sep	201.7	206.2	208.0	201.0
Oct	194.4	199.7	200.5	193.5
Dec	192.6	197.7	197.5	192.0
Jan	191.5	197.5	197.0	191.5
Mar	191.0	197.0	195.5	191.0
May	191.0	197.0	196.2	191.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	262/2	265/4	265/0	260/6
Sep	251/0	255/0	254/0	249/4
Dec	248/2	252/6	251/0	246/2
Mar	255/6	259/6	257/6	253/4
May	259/0	262/6	260/4	257/6
Jul	260/0	263/0	260/6	258/4
Sep	253/0	251/4	253/6	250/4
Dec	246/0	244/4	248/0	243/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	398/6	399/2	403/0	398/2
Sep	403/2	404/6	407/2	403/0
Dec	415/6	418/2	421/0	415/4
Mar	420/6	423/4	425/0	420/4
May	409/4	412/0	411/0	408/0
Jul	373/0	375/0	375/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	69.97	70.12	70.25	69.70
Sep	71.05	71.05	71.05	71.05
Oct	72.75	72.77	73.30	72.52
Dec	73.00	73.12	73.40	72.90
Feb	72.40	72.72	72.95	72.30
Jun	71.80	72.10	72.45	71.80
Aug	70.00	71.50	0	70.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	49.20	49.07	49.50	49.00
Aug	48.07	48.22	48.70	48.02
Oct	44.07	44.00	44.42	43.85
Dec	46.20	46.25	46.60	46.00
Feb	47.70	47.62	47.86	47.50
Apr	44.55	44.52	44.72	44.25
Jun	48.20	48.16	48.45	48.05
Jul	48.50	48.50	48.70	48.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	33.67	33.52	34.52	33.20
Aug	33.60	33.47	34.50	33.00
Feb	50.62	50.45	51.80	50.35
Mar	50.02	50.07	51.25	50.02
Jul	51.30	51.30	0	0
Aug	48.50	48.50	0	0

LONDON STOCK EXCHANGE

Bid moves boost morale in equities

A LONDON stock market still basically uneasy over sterling and the domestic labour relations background was overwhelmed yesterday by a wave of bid developments led by a £3.1bn cash offer for Consolidated Gold Fields from the Hanson group. Before mid-session, the day's bid total had been pushed above £5bn as Newgateway, the US bidder, offered a revised £2.09m for Gateway, the UK supermarket group, just topping a new offer from Isosceles made earlier in the day.

This sudden rush of prospective cash into the market offset the cautious tone at the opening of equity trading. The bid for Gold Fields, in addition to throwing the spotlight on a number of other mining and building aggregate stocks, also offered the prospect of substantial cash profits for many major investment portfolios, most of which have stakes in the mining and industrial giant. Also helping market indices was a sharp rise in Hanson shares, an unusual response from a company making a large cash bid and a tribute to the Hanson balance sheet.

Account Dealing Dates

*First Declarations:	Jun 5	Jun 19	Jul 3
Option Declarations:	Jun 15	Jun 29	Jul 13
Last Dealings:	Jun 16	Jun 30	Jul 14
Account Day:	Jun 26	Jul 10	Jul 24

*New time dealings may take place from 9.00 am two business days earlier

Underlying worries returned when the sterling exchange rate slipped lower and the equity market fell briefly into negative territory. However, the exchange rate recovered to edge higher on the day and share prices also moved up again. With Wall Street quiet in early dealings, London closed calmly, with the exception of the electronics sector which was enlivened by a Government statement on the next move on personal telephone communications.

The final reading on the FT-SE Index showed a net gain on the day of 7.8 points at 2,180.0 and the fifth consecutive daily gain. Trading volume, boosted by 11m shares in Consolidated Gold Fields, totalled 507.5m shares through the Seaq system, against 380.2m in the previous session. "If it had not been for the rush of bid news, the market would probably have been down today," commented one trader.

The continued uncertainty over interest rates was re-fuelled yesterday by Mr Bill Martin, economist at Phillips & Drew, the UK securities house, who warned of the danger that UK base rates may have to rise to 15 per cent to combat internal inflationary pressures.

This week has brought a resurgence of industrial relations troubles in the UK, which is regarded as a sign that the next wage round will be hard fought. The stock market is bracing itself for a national dock strike and for further disruption on the nation's railways.

However, the equity market remains clearly well-supported by the major institutions which are unwilling to sell stock and can now expect further additions to their substantial cash positions from the spate of bids in the market.

FINANCIAL TIMES STOCK INDICES

	Jun 22	Jun 21	Jun 20	Jun 19	Jun 16	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.51	84.66	84.72	84.76	84.61	88.82	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.69	95.89	95.59	95.72	95.68	98.02	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1809.3	1800.9	1791.6	1780.7	1771.6	1496.7	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	193.2	184.7	184.9	183.8	182.4	214.1	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.41	4.43	4.45	4.49	4.56	4.44				
Earning Yld %(full)	10.39	10.44	10.51	10.56	11.04	11.38				
P/E Ratio(Net)(*)	11.60	11.54	11.48	11.39	10.97	10.71				
SEAQ Bargains(5pm)	23,721	18,510	26,227	22,461	29,624	28,183				
Equity Turnover(£m)†	-	1047.85	-	1129.74	1342.86	1537.32				
Equity Bargains†	-	22,481	-	25,437	31,794	30,596				
Shares Traded (ml)†	-	311.7	-	380.2	527.0	573.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1810.8	1805.3	1807.7	1804.2	1804.8	1807.0	1805.5	1809.5

DAY'S HIGH 1816.7 DAY'S LOW 1803.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 11.49 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jun 21	Jun 20
Gilt Edged Bargains	72.2	n/a
Equity Bargains	152.1	-
Equity Value	2118.0	-
5-Day average		
Gilt Edged Bargains	108.3	-
Equity Bargains	173.7	-
Equity Value	2461.1	-

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	1,100	170		GRE	656	199	-1	Pilkington	3,100	230	-1	Tarmac	6,900	324	+3
Brit. Aerospace	1,400	679	+1	GKN	889	410	+2	Plessey	615	263		Tate & Lyle	1,000	252	+2
British Airways	4,500	206	+5	Guinness	1,600	516	+8	Polly Peck Intl.	1,300	270	+6	Taylor Woodrow	437	323	-1
British Gas	4,300	191	+½	Hammerson 'A'	40	792	+1	Prudential	2,250	175	+½	Tesco	5,900	183½	-½
British Land	361	354	-2	Hanson	32,000	214	+11	RHM	381	458	-1	THORN EMI	717	747	-8
BP	3,700	294	+½	Harrisons & Cros.	479	169	+1½	RMC	718	781	+14	Trafalgar House	1,100	358	-1
British Steel	7,700	78	-½	Hawker Siddeley	739	728	+17	RTZ	3,100	505	+16	Trusthouse Forte	2,000	327	+9
British Telecom	5,100	264½	-8	Hillsdown Hldgs	2,400	271	+2	Racal	11,000	483½	-19½	Ultramar	542	309	+1
Burmah Oil	713	680	+6	IMI	281	227	+2	Rank Org.	331	969	+15	Unilever	1,100	581	+1
Burton	461	221	+1	Imp. Chem.	968	1303	+9	Reckitt & Colman	457	1104	-5	United Biscuits	5,200	358	+7
Cable & Wireless	3,500	495	+21	Inchcape	345	258	+1	Redland	2,000	572	+15	Utd. Newspapers	270	438	-2
Cadbury Schweppes	2,600	374	+8	Jaguar	842	357		Reed International	949	425		Wellcome	931	460	+14
Carlton Comms.	189	849		Kingfisher	182	306	+1	Reuters	865	807	+12	Whitbread 'A'	291	357	
Commercial Union	620	371	+2	Ladbroke	428	587	-1	Rolls Royce	2,000	196	-½	Williams Hldgs.	1,000	346	+2
Cons. Gold Fields	11,000	1456	+208	Land Securities	636	584	-1	Rothmans	1,500	549	+4	Wimpey	2,700	272	+5

Gold Fields tops bid price

The market was caught unawares by Hanson's £3.1bn bid for Consolidated Gold Fields but quickly sensed the likelihood that the way was open for an agreed, recommended deal between the two companies. Gold Fields shares rose sharply at first but then hung fire below the bid price until US buyers flooded in, signalling expectations that the Gold Fields board may extract a higher price from Hanson in return for its recommendation.

At the close, Gold Fields shares were up 208 at 1456p, compared with Hanson's cash offer of 1430p a share. The response from the US could prove crucial for the bid's prospects, since it is assumed that the large stakes built up by North American investors during the aborted Minorco offer have remained in place.

At UBS Phillips & Drew, the London securities house and close watcher of Gold Fields, Mr Jack Jones advised clients last night to hold on to their shares. "Final terms of £15 are still on the cards," he believes. Intervention by a third party is regarded as unlikely, although the market was noting the cross-Atlantic tussle for control of Gateway, the UK supermarket group.

Reverberations...

The Hanson bid sent speculative buyers seeking out other stocks which could be affected by the move. *Hanson gained 11 to 214p despite its cash bid.*

The valuation placed by the bid on mining assets spurred an advance of 16 to 505p in RTZ, while Charter Consolidated gained 31 to 536p as investors weighed the chances that Minorco, which already has 36 per cent, will use its cash haul from the Gold Fields situation to take out the rest of the Charter equity. Minorco shares rose by 106 to 994p.

The ripple effect reached Johnson Matthey, in which Charter has a 38 per cent stake, sending shares in the precious metals refiner ahead by 16 to 405p; in turn, Cookson Group, with just over 8 per cent of Johnson Matthey, put on 5 to 334p.

English China Clays benefited from having its aggregate business associated with the Amey Roadstone part of Consgold. It climbed 12 to 489p. Similarly Redland rose 12 to 569p and RMC 14 to 781p. Steetly, helped also by the application for a listing on the Paris bourse, gained 12 to 447p.

BAT Industries, however, were a definite non-beneficiary. Buoyed recently by speculation that it could be a Hanson target, the shares took a beating as speculative holders hurried to reduce their commitments. By the close the price had reacted 28 to 641p after volume of 11m shares.

Gateway drama

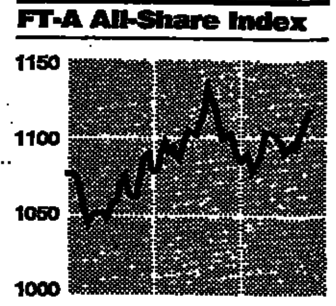
After a hectic session in which two separate bids for Gateway were announced within the space of 90 minutes, Isosceles appeared close to winning its battle with Newgateway for control of the supermarket group. By the close 79m Gateway shares had changed hands as the price rose 10¼p to 233p. A large portion of the buying was done by broker Panmure Gordon on behalf of Isosceles, which ended the day claiming control of 44.8 per cent (including acceptances) of Gateway having bought A B Foods' crucial 15 per cent stake. Newgateway, in contrast, controlled just around two or three per cent of its target having bought shares during and after the official close.

The consensus among analysts was that it was now extremely difficult for Newgateway to win enough acceptances to foil Isosceles. "It is all now in the hands of the one or two institutions who each own a couple of per cent of Gateway," said one. "And it's likely they will come over to the Isosceles camp because it is not worth holding out for the sake of an extra five pence."

The drama started just before midday when Isosceles made what it said was a final offer of 230p a share and announced it had bought the A B Foods stake. An hour and a half later, after Gateway's management had rejected the latest Isosceles approach, Newgateway countered with a bid (subsequently recommended by Gateway) of 235p a share, but by then Isosceles had picked up what dealers now believe is a clinching 44.8 per cent.

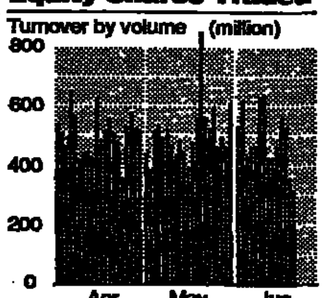
The announcement by Lord Young, the UK Trade and Industry Secretary, that several new operators are to be allowed to compete directly in the portable electronic communications business set shares in this volatile sector ablaze towards the close. Cable & Wireless, whose Mercury subsidiary has been effectively guaranteed one of the new licenses, jumped 21 to 495p, but Racal Telecom and British Telecom, both excluded from the new licenses, fell sharply – the former by 12 to 462p, and the latter by 8 to 264½p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Trade in Ultramar was subdued, although this morning BZW publishes a buy note on the company. Mr Fergus Macleod, analyst at BZW, says that Pertamina, the Indonesian national oil corporation, is set to conclude deals that will increase supplies of liquified gas to Japan and South Korea by 12 per cent and 33 per cent respectively. The president of Pertamina is quoted as saying the contract would be signed by September.

Indonesia accounts for more than 30 per cent of Ultramar's income and this deal would increase Indonesian revenues by 20 per cent, said Mr Macleod. "That should boost 1992 earnings by 8 per cent, equivalent to another 20p on the share price."

He is raising his dividend estimates for the current year from 9p to 9½p and for 1990 from 10½p to 11½p. The advice to investors is changing from a hold to a buy and he is upping, for currency reasons, his forecast for current year profits from £100m to 105m. Ultramar firmed a penny to 309p.

Disappointment over the lack of interest shown in the when-issued stock of SmithKline Beecham, knocked Beecham back 12 to 629p. SKBeecham registered a paltry 11,000 shares traded as the price slid 14 to 530p.

Wellcome firmed 14 to 460p in its second day of recovery after recent sharp falls. One dealer spoke of US buying interest, and another suggested there had been a buy note from BZW, which the broker denied.

US buyers chased British Airways up 5 to 206p in good volume of 4.5m shares, and Reuters, up 12 at 807p in what, for the stock, is reasonable turnover of 865,000 shares.

Shares in Bass, the UK's largest brewer, traded nervously ahead of this morning's hastily-arranged conferences with City analysts and journalists. The shares were initially a few points higher in early trading, but after news of the meetings reached the market the price remained obstinately stuck at 1016p, where it closed. "People were just too scared to trade," said one dealer. The session's turnover of just over ½m shares backed up the comment.

The speculation in the market was that Bass would announce some sort of acquisition, but with so many potential targets, few were willing to offer predictions save that any purchase would not be in the UK drinks market, given the current dispute over the implementation of the Monopolies Commission's report on the brewing industry.

Further vague talk of leveraged buy-outs failed to lift Allied Lyons any more than 6 to 457p in moderate trade, while Guinness, a good market throughout the session, added 8 at 516p.

Trusthouse Forte benefited from support following the biennial analysts visit, the shares rising 9 to 327p on turnover of 2m shares.

"Green" issues continued in vogue and Caird rose 16 further to 565p while Attwoods improved 10 to 515p. Elsewhere, Countryside Properties fell 13 to 217p.

A B Foods were a feature among mixed foods manufacturers, climbing 6¼ to 381p. The shares, already buoyed by the sale of the company's 15 per cent stake in Gateway, were boosted further by a bullish note from Warburg Securities.

The Foods team at Warburgs has found a variety of reasons to recommend A B Foods: the stock is currently cheap, it stands at a discount to its historic net asset value, the core businesses have strong defensive qualities and are undervalued, and the shares are likely to outperform in the event of a strategic acquisition. Buy A B Foods for long-term outperformance and short-term speculation, advises Warburgs.

United Biscuits were a good market, adding 7 at 358p in turnover of 5.3m shares on whispers of renewed buying from Switzerland. Talk of the Swiss connection was enhanced by news that Jacobs Suchard, the confectionary group said to be interested in acquiring a UK foods group, is to open up its share register to overseas investors. Cadbury Schweppes maintained Wednesday's form with a rise of 8 to 374p on turnover of 2.6m; "people are realising just how cheap they are," commented one trader.

Filtration company Whatman Reeve jumped 20 to 448p and marketmakers spoke of a bullish circular from James Capel. But Mr Robin Gilbert, of Capel, said that all he had done was include the company in Capel's 'green book' of environmental companies. "It isn't the most high profile stock, but it is a good company," said Mr Gilbert.

The Government decision to allow the irradiation of food boosted Isotron, which supplies the radioactive isotopes used in the process. The stock rose 18 to 276p, after 278p, for a two day gain of 44.

Increased annual profits were of little help to commercial vehicle manufacturer ERF, 10 easier at 488p.

Bid speculation continued to surround David S Smith, up 11 more at 346p, while Mersey Dock units shot higher late to 215p for a gain of 23. One or two good buyers appeared suddenly for Aitken Hume, the financial services group, which rose 7 to 58p.

Camford Engineering firmed 5 to 307p after it announced that Markheath had taken its stake to 28 per cent, up from 24 per cent in five weeks. It reaffirmed its belief that it was Markheath's intention to raise the figure to 29.99 per cent.

A surge of buying orders forced shares of Lonrho out of the recent range and the close was 8 firmer at 281p. Some of the business represented intra-market activity, but there was also revived interest from retail sources.

Rothmans International suffered not so much from profits which, at £326.7m, were within the market range, but from an early optimistic forecast that the figure could exceed £340m. The shares dropped to 532p before rallying smartly late to close 4 dearer on balance at 549p.

Mr Mark Duffy of Warburg Securities said "outperformance will come from above-avergae eps growth and historically high liquidity. Tobacco profits should recover during the current year benefiting from favourable exchange rates and on-going rationalisation. A 20 per cent p/e discount does not reflect the value of luxury goods interest Dunhill and Cartier. The shares are a buy."

The temporary shutdown of two oil platforms in the Ninian field in the North Sea put a damper on oil stocks. Shell, BP and Lasmo closed unchanged, the last-named losing 3 off the day's best in the light of its 17 per cent stake in Ninian. Lasmo has a breakfast meeting with institutional investors this morning.

Of the two newcomers to the Unlisted Securities market, essential oils and aromatic chemical group Treatt rose to 126p compared with a placing price of 107p while contracting and building concern Allen, recently placed at 110p, settled at 115p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (114).
CANADIANS (1) Hawker Sid Can., BANKS (4) Comerzbk., Deutsche Bank, Guinness Mahon, Schroders, BREWERS (3) Bass, Guinness, Marston Thompson, BUILDINGS (6) Attwoods, Douglas (Rob M), Graham Wood, McAlpine (A), NSM, Needler Grp, CHEMICALS (7) STORES (5) Betterware, Liberty, Smith (W.H.) "A", Stead. & Sim "A", Wyevale Gdn Ctrs, ELECTRICALS (7) ENGINEERING (6) Ash & Lacy, Brooke Tool, Camford, Chemring, Cook (Wm.), Thyssen, FOODS (6) Ass Brit Foods, Gateway, Kwik Save, Morrison (Wm.), Northern Foods, Utd Biscuits Wrrts., INDUSTRIALS (18) Ass Brit Consultants, Brit. Vita, CSR, Capero Inds., Capita Grp., Charter Cons., Christies Intl., DSC, EIS, Hanson, Do. 10pc Cv Ln., Do. 5.75pc Cv Pf, Isotron, Porter Chadburn, S.E.P. Intl., Soaps Grp., Sidlaw Grp., Whatman Reeve, INSURANCE (2) Britannic, Hibernian, LEISURE (5) Cityvision, First Leisure, Kunick 7p Rd Pf, MOTORS (1) Lookers, NEWSPAPERS (2) Blenheim Exhibits, Home Counties, PAPERS (1) Smith (David S), PROPERTY (5) Bredero Props., City Gate Ests., Dunloe Hse Grp, Ivory Merchant, Priest Marians, SHIPPING (1) IoM Steam, SOUTH AFRICANS (4) Barlow Rand, SA Brews., SASOL, Tongaat Hul., TRUSTS (12) OILS (2) Brit Gas, Sceptre Res., OVERSEAS TRADERS (1) GN Gt Nor, MINES (12) THIRD MARKET (5) Andaman Res., Chelsea Artisans, Hiclare, Royal Sovereign, Wilton Grp.
NEW LOWS (16).
INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Utd. Mex. 2008, STORES (2) Ritz Design, Wilding Office Equip., ELECTRICALS (1) Pressac, INDUSTRIALS (3) Amer Grp., Benson, Worcester, PAPERS (1) Bunzl, PROPERTY (3) Asda Prop., Christie Grp., Merlin Intl. Props., TEXTILES (1) Richards, TRUSTS (2) Perpetual, St David's Inv Tst., OILS (2) Crusader, Highland Parts.

APPOINTMENTS

Glaxo US chief executive

Dr Charles Sanders has been appointed chief executive officer at the US division of Glaxo, Britain's biggest drugs company, *writes Peter Marsh.*

Dr Sanders, who is currently vice chairman of Squibb, a US pharmaceuticals group, will have day-to-day responsibility for Glaxo's operations in the US, which account for some two fifths of the company's £2bn annual sales.

He will report to Dr Ernest Mario, former chief executive of Glaxo's US division, who became chief executive of the group in May. Dr Mario, who will remain chairman of Glaxo in the US, replaced Mr Bernard Taylor, who had been chief executive of the group for the past three years.

Dr Sanders, 57, joined Squibb in 1981. Before this he was a general director of the Massachusetts General Hospital in Boston and professor of medicine at Harvard Medical School.

■ Mr Euan Niven has joined the transport services division (fleet sector) of SECURICOR GROUP as financial controller.

■ Mr Frederick Osborn has been appointed a director of HANIEL TRANSPORT (UK) with responsibility for the airforwarding division, Air Haniel. He was general manager in charge of airfreight.

■ AGRICULTURAL GENETICS COMPANY, Cambridge, has appointed Dr Peter Innes as director of its technology transfer division, of which he was manager.

■ TOWN & COUNTRY BUILDING SOCIETY has appointed Mr Peter C. Pullin as assistant general manager (finance), covering treasury and related operations, based at Clacton-on-Sea. He was treasurer of the Cheltenham & Gloucester Building Society.

■ Mr John Giffen has been appointed managing director of HIRAM WALKER-ALLIED VINTERS, and president of of Hiram Walker-Gooderham & Worts. He is succeeded as chairman of Hiram Walker-Allied Vintners (Canada) by Mr James F. Murphy who remains chairman of Hiram Walker-Allied Vintners Inc.

■ CAMBRIDGE COMPUTER GRAPHICS has appointed Mr Gary Glover as managing director. He was general manager of GML.

■ REDDISH SAVILLES, part of Brent Chemicals International Group, has appointed Mr Ron Tyreman as financial director. He was financial controller.

■ From August 1 Mr Harmen Heyn will join LUCAS AUTOMATIVE as director of marketing. He is director of international sales and operations for INA KG, European supplier of needle roller bearings.

Granada man to join Kingfisher

■ KINGFISHER has appointed Mr Geoff Powell as director responsible for its home improvement, electrical, and autocare markets. He will be joining the board in the near future. Mr Powell is currently managing director of Granada's UK rental and retail division, and a Granada Group director. He will be leaving Granada in August.

Following the departure of Mr Powell to Kingfisher, GRANADA is re-organising the rental and retail division. Mr Tom Cole, currently managing director of the Granada chain, becomes managing director of UK rental, a new post covering domestic operations. Mr John O'Brien is appointed to the new post of managing director, commercial and overseas rental.

■ THORNTONS has appointed Mr David Mitchell as divisional managing director - UK retail/sales, from July 3. He joins from Grand Metropolitan Retailing, and succeeds Mr Nigel Etchells, now divisional director responsible for European retail development.

■ NEWMARKET VENTURE CAPITAL has appointed Mr Alan Duncan as a director of Newmarket Management Services. He was with Foreign and Colonial Ventures.

Mr David Baker *(above)* has been appointed managing director of SUN LIFE INVESTMENT MANAGEMENT SERVICES.

■ JONES & SHIPMAN has appointed Mr John C. Armstrong as a non-executive director. He retires shortly as managing director of the chemical division of British Alcan Aluminium.

■ BIRMINGHAM MIDSHIRES BUILDING SOCIETY has appointed Mr John Joyce, general manager, sales and marketing, as managing director of its estate agency subsidiary, Birmingham Midshires Property Services.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	55.06	55.74	59.30	-1.18	4.62
Gilts & Fixed Int	6	108.8	108.8	115.3	....	8.67
High Inc Equity	6	134.4	137.3	146.1	+0.3	4.35
Worldwide Bond	6	205.3	205.3xd	217.5	-3.0	4.46
Capital Growth						
American Growth	6	188.5	188.5	201.7	-4.4	0.94
Asian Pacific	6	95.74	95.74	102.4	-1.6	1.27
Assets & Earnings	6	159.2	159.2xd	170.3	+0.3	2.17
Capital Reserve Acc	0	85.32	85.32	85.38	+0.01	4.68
Comdty & Energy	6	101.8	101.8	108.9	-0.5	1.74
1992 Enterprise	6	58.56	59.74	63.56	+0.21	2.83
European Capital	6	88.75	89.55	95.27	-0.04	0.79
General	6	177.4	180.2	191.8	+0.1	2.35
International		47.12	47.23	50.25	-0.13	1.00
Japan	6	109.6	109.6	117.3	+1.2	0.00
Mastertrust	6	86.57	86.57xd	92.59	-0.32	1.84
UK Growth Acc	6	203.5	203.5	217.70	+4.6	1.29
UK Growth Dist	6	135.8	135.8	145.3	+1.2	1.93
US Emerging Cos	6	54.87	56.71	60.33	-1.62	0.00
Income & Growth	6	298.2	298.2	319.0	+1.6	3.21
Ethical	6	49.22	50.43	53.65	+0.07	1.86
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	31.52	31.52xd	33.65	-0.21	3.33
European	5¼	66.39	66.52	71.01	+0.22	0.00
European Income	5¼	65.46	65.46xd	69.88	-0.06	3.01
Exempt	1	809.5	809.5	844.8	+1.10	2.19
Extra Income	5	42.96	42.96xd	45.86	+0.10	4.95
F East Emerg Econs	5¼	46.43	46.80	50.12	-0.06	0.80
Fixed Inv Tst	5	122.1	122.1	130.4	....	2.50
Do Accum	5	190.2	190.2	203.1	+0.10	2.51
Gilt & Fixed Int	5¼	21.17	21.17xd	22.59	-0.02	10.74
Income & Growth	5¼	73.78	73.78	78.76	+0.30	4.16
Intl Income	5¼	63.34	63.34xd	67.62	-0.31	5.24
Japan	5¼	185.7	185.7	198.3	+2.00	0.00

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sht Ded Gilt & Fi	1½	53.19	53.19	53.93	....	12.93
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	55.00	55.86	59.74	+0.41	2.70
Global Tst	5½	44.06	44.50	47.59	+0.33	2.01
Recovery Tst	5½	53.70	55.86	59.42	-0.31	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	109.3	110.7xd	116.8	+0.1	3.63
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	61.43	61.43	65.35	-1.11	0.67
CS International F	5	56.85	56.85	60.47	-0.27	1.76
CS Japan F	5	125.7	125.7	133.7	+1.3	0.33
CS Portfolio Inv ‡	5	73.08	73.08xd	77.74	+0.10	1.45
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	143.1	149.3	156.7	-0.10	2.96
Do Gen Accum	5	238.6	247.4	260.5	-0.30	2.96
Do Income Dist	5	93.93	97.84	103.0	-0.10	5.47
Do Inc Accum	5	215.2	224.2	235.9	-0.20	5.47
Gilt & Fxd Int	5	35.96	36.01	37.91	-0.04	8.47
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5¾	38.71	38.71	41.40	-0.29	2.45
Income	5¾	48.30	48.30	51.66	+0.22	3.98
Far East ‡	5¾	36.30	36.80	39.36	-0.16	0.05
North American ‡	5¾	36.52	36.91	39.48	-0.72	1.82
Global ‡	5¾	51.36	52.28	55.62	-0.32	1.76
European	5¾	55.83	56.61	60.22	+0.25	0.89
Japan ‡	5¾	105.1	106.5	113.9	+0.70	0.01
Intl Currency Bd	5¾	44.18	44.18	46.86	-0.28	6.40
Strategic Opps	5¾	54.75	54.75xd	58.56	+0.05	1.24
Capability Trust Mngrs Ltd (1200)F						
Admin. 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
American & Gen	5	77.57	78.41	83.41	-1.50	1.71
(Accum Units)	5	80.99	81.86	87.08	-1.58	1.71
European Inc	5	56.39	56.83	60.46	-0.02	0.89
(Accum Units)	5	57.10	57.56	61.23	-0.03	0.89

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Holborn Unit Tsts Ltd (1445)H						
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn UnitLine 0800 010345						
Two Hourly Pricing						
Holborn Trust	6	23.65	23.99	25.65	+0.23	1.12
Holborn Comm	6	77.80	77.80	83.20	-0.26	0.30
Holborn Equity Inc	6	69.23	69.23xd	74.04	+0.11	4.59
Holborn Equity	5	565.47	574.16	607.57	+0.05	3.31
Holborn European	6	136.36	139.02xd	147.61	-6.59	0.49
Holborn High Inc	6	83.76	83.76xd	89.58	-0.61	5.95
Holborn Intl Grth	6	119.72	119.72	128.04	+0.09	1.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administration and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Central & Equity	5	62.72	65.76	69.95	-0.11	6.83
European	5	68.59	68.93	73.32	+0.17	0.09
Far Eastern	5	60.86	60.94	64.83	-0.09	0.70
Growth Inc	5	89.57	93.07	99.00	+0.73	1.39
Growth Acc	5	89.57	93.07	99.00	+0.73	1.39
Income Inc	5	84.75	86.79	92.33	+0.07	4.65
Income Acc	5	84.75	86.79	92.33	+0.07	4.65
Property Share	5	54.93	54.93	58.56	-0.03	0.99
Smaller Co's	5	59.13	62.36	66.34	+0.06	1.44
Nth American	5	64.70	64.70xd	69.19	-0.22	1.54
International	5	48.09	48.09xd	51.43	-0.34	1.41
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	110.61	110.61xd	115.61	.....	4.11
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.15	65.71xd	69.90	+0.15	2.61
YUTM Uk Eqty Inc Tst	5¼	60.72	62.87	66.88	+0.04	4.56
YUTM Intl Gwth Tst	5¼	51.06	51.06	54.49	-0.02	1.00

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Exmpt June 7	485.3	503.8	.....	–
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund May 31		515.45	.....	4.75
Fxd Int Sec May 31		139.45	.....	10.25
Deposit May 31		100.00	.....	12.45
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc June 21	162.1	166.1xd	+1.60	9.83
C'inco Acc June 21	665.1	681.5xd	+6.40	9.83
C'share Inc June 21	149.8	155.2xd	+3.80	3.66
C'share Acc June 21	164.6	170.6xd	+5.30	3.66
Charities Official Invest. Fund‡‡				

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd
37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	132.0	139.0	-3.0	-
Building Soc. Fd.	171.0	180.0	.....	-
Balanced	286.0	302.0	+1.0	-
European	180.0	190.0	+1.0	-
GT Managed	178.0	188.0	.....	-
Gartmore Mngd	118.0	125.0	.....	-
German	127.0	134.0	+1.0	-
Gilt	180.0	190.0	.....	-
Global	48.0	51.0	.....	-
High Inc.	120.0	127.0	.....	-
International Equity	198.0	209.0	.....	-
Japan	235.0	248.0	-1.0	-
Managed	64.0	68.0	.....	-
Property	283.0	298.0	.....	-
R. W. Imperial Gold	148.0	156.0	.....	-
UK Equity	366.0	386.0	.....	-
Pension Funds				
American	157.0	166.0	.....	-
Building Soc. Fd.	171.0	180.0	.....	-
Balanced	218.0	230.0	.....	-
European	176.0	186.0	.....	-
German	109.0	115.0	.....	-
Gilt	153.0	162.0	.....	-
International Equity	144.0	152.0	.....	-
Japan	136.0	144.0	.....	-
Managed	65.0	69.0	.....	-
Property	217.0	229.0	.....	-
UK Equity	332.0	350.0	.....	-

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd	597.0	629.1	-3.5	-
Adventurous Mngd	128.3	135.2	-1.0	-
Secure Mngd	109.0	114.9	-0.2	-
Cash Fd	233.4	246.0	.....	-
Property Fund	287.2	305.6	.....	-
Equity Fund	674.0	710.3	-5.0	-
Fxd. Int. Fund	294.5	310.4	-0.4	-
International	302.9	322.3	-4.0	-
High Income	471.6	501.8	.....	-
Far East	416.7	443.4	-3.4	-
North American	280.1	298.0	-5.9	-
Special Sits	619.4	659.0	-3.1	-
Technology	256.2	272.6	-3.3	-
Extra Inc Fd	286.0	304.3	+0.2	-
Convertible & Gilt Fd	153.5	163.4	.....	-
American Income	131.4	139.8	-2.3	-
Gilt Fund 20	293.4	312.2	+0.1	-
European Fund	102.3	107.9	-0.8	-
Pref & Fixed Int	98.3	104.6	+0.1	-
Pension Funds				
Balncd Gth Mgd Pens Acc	569.7	599.7	-2.8	-
Adventurous Mgd Pens Acc	123.8	130.4	-1.1	-
Secure Mngd Pens Acc	106.9	112.6	-0.2	-
Building Soc. Acc	241.5	254.3	.....	-
Property Pens. Acc	293.2	308.7	.....	-
Fix. Int. Pens. Acc	401.9	423.1	.....	-
Equity Pens. Acc	752.4	792.0	-5.0	-
International Pens Acc	278.8	293.5	-3.9	-
High Inc Pens Acc	493.0	519.9	.....	-
Tech Pens Acc	169.3	178.3	-2.3	-
N American Pens Acc	191.7	201.8	-4.4	-
Far Eastern Pens Acc	405.3	426.7	-3.6	-
Special Sits Pens Acc	508.1	534.9	-2.6	-
Extra Income Pens Fd	337.0	354.8	+0.2	-
Convertible & Gilt Pen	170.3	179.3	.....	-
American Inc Pens	145.3	153.0	-2.9	-
European Pens	108.1	113.8	-1.3	-
Managed Cash Pens	111.4	117.3	.....	-
Pref & Fixed Pens	101.2	106.6	.....	-
Other Funds				
Acorn Managed Fund	170.7	179.7	-1.1	-
Portfolio 2000	157.4	165.7	-1.0	-
Burton Intnl Managed	107.8	113.5	-0.2	-
PBM Max Grth & Inc	111.3	117.2	.....	-
DWC Growth & Income	113.3	119.3	.....	-
NCH Managed	101.3	106.7	(z)	-

For Capital Unit and Other Prices ring 0539-33733

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99½	98½	Exch.10pc 1989	99	.....	10.04	13.71
99	98½	Exch 11pc 1989	99	.....	11.08	13.38
98	95	Treas 5pc 1986-89	98	.....	5.10	11.10
99½	98	Exch 10¼pcCv '89	98	.....	10.35	12.65
101	99	Treas 13pc 1990‡‡	100	.....	12.98	12.77
130	124	Treas 2pc IL '90(84.6)	129	–⅛	2.09	9.98
99	98	Exch 11pc 1990‡‡	98	.....	11.14	13.03
101	99	Exch. 12½pc 1990	99	.....	12.55	12.97
94	91	Treas. 3pc 1990	93	.....	3.19	10.43
96	95	Treas 8¼pc 1987-90‡‡	95	.....	8.59	12.72
98	95¼	Treas. 8pc Cv 1990 ‡‡	95¼	+	8.35	12.41
98	96	Treas. 10pcCv 1990	96	+	10.34	12.73
91	87	Exch 2½pc 1990	90	–	2.75	9.42
101	98	Treas 11¾pc 1991	98	–	11.88	12.53
92	89	Funding 5¾pc '87-91‡‡	91	.....	6.29	11.16
89	86	Treas. 3pc 1991	88	–	3.37	9.49
100	95	Treas 10pc Cv '91 ‡‡	95	–	10.44	12.38
101	97	Exch. 11pc 1991	97	–	11.25	12.09
94	91	Treas. 8pc 1991	91	–	8.73	12.01
106	102	Treas 12¾pc 1992‡‡	102	–	12.46	11.67
99½	95	Treas 10pc 1992	96	–	10.41	11.75
94	91	Treas. 8pc 1992 ‡‡	91	–	8.76	11.71
100¼	96	Treas 10½pc Cv 1992‡‡	97	–	10.79	11.62
85	82¼	Treas. 3pc 1992	83	–	3.59	9.48
105	101¼	Exch. 12¼pc '92	101	–	12.06	11.64
109¾	104	Exch 13½pc 1992	105	–	12.86	11.56
94	90	Treas 8¾pc 1993	90	–	9.10	11.43
100	95	Treas 10pc 1993‡‡	96	–	10.40	11.26
108¾	103	Treas 12½pc 1993‡‡	103	–	12.05	11.33
87¼	84¼	Funding 6pc 1993‡‡	85	–	7.01	10.25
113¼	108¼	Treas 13¾pc 1993‡‡	108	–	12.68	11.24
94½	89¼	Treas. 8½pc 1994	90	.....	9.41	11.24
117	112	Treas 14½pc 1994‡‡	112	–⅛	12.87	10.96
113	107	Exch 13½pc 1994	108	–	12.50	11.28
100¾	95	Treas. 10pc Ln. 1994‡‡	96	–	10.42	11.06
		Five to Fifteen Years				
110¼	104	Exch. 12½pc 1994	104	–	11.93	11.25
96	91¼	Treas 9pc 1994‡‡	91	–	9.80	11.02
108	102	Treas 12pc 1995	103	–	11.63	11.22
79	74½	Exch 3pc Gas 90-95	75¼	.....	3.96	8.30
101	95¾	Exch. 10¼pc 1995	96	.....	10.64	11.09
113	107¼	Treas 12¾pc 1995‡‡	107¾	–	11.82	10.99
119	112½	Treas. 14pc '96	113	–	12.40	11.17
97½	91	Treas. 9pc 1992-96‡‡	91	–	9.81	10.74
126	119	Treas 15¼pc 1996‡‡	119	–⅛	12.74	11.06
117	110	Exch 13¼pc 1996‡‡	110	–	11.97	10.98
101	94	Conversion 10pc 1996	95	–	10.49	10.92
118	110¼	Treas 13¼pc 1997‡‡	111½	–	11.89	10.98
104	97¼	Exch 10½pc 1997	97	–	10.73	10.92
95	88¼	Treas 8¾pc 1997‡‡	89	–	9.78	10.69
128	120	Exch 15pc 1997	120	–	12.42	11.10
100	93	Exch. 9¾pc 1998	94	–	10.33	10.76
84	78	Treas 6¾pc 1995-98‡‡	79	–	8.49	10.32
134	125	Treas. 15½pc '98‡‡	126	–	12.27	10.90
113	105¼	Exch. 12pc 1998	106	–	11.25	10.84
100¼	93	Treas 9½pc 1999‡‡	94½	–	10.08	10.46
115	107½	Exch. 12¼pc 1999	108½	–	11.30	10.81
105	97	Treas. 10½pc 1999	98	–	10.63	10.70
104	96	Conversion 10¼pc 1999	97	–	10.52	10.66
94	86	Treas. 8½pc Ln 2000‡‡	88	–	9.66	10.40
97	90	Conversion 9pc 2000‡‡	91	–	9.89	10.41
122	113	Treas. 13pc 2000	114	–	11.38	10.77
103	95	Treas 10pc 2001	96	–	10.33	10.46
124	115½	Treas. 14pc '98-01	116	–	12.02	11.04
102	94	Conversion 9¾pc 2001	95	–	10.22	10.42
113	105½	Exch. 12pc '99-02	106½	–	11.26	10.87
104	96	Conversion 10pc 2002	97	–	10.24	10.35
102	94	Treas 9¾pc 2002	95	–	10.16	10.31
97	89	Exch. 9pc 2002	91	–	9.89	10.23
126	117	Treas. 13¾pc 2000-03	118	–	11.59	10.83
105	97¼	Treas 10pc 2003	98	–	10.17	10.21
113	104	Treas. 11½pc 2001-04	105	–	10.86	10.60

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
106	97¾	Treas. 10pc 2004	99	–⅛	10.10	10.13
		Over Fifteen Years				
59¾	55	Funding 3½pc '99-04	55	–	6.31	8.93
102	94¼	Conversion 9½pc 2004	95	–	9.95	10.05
103	94½	Conversion 9½pc 2005	95	–	9.91	10.02
111	102	Exch.10½pc 2005	103	–	10.11	10.00
125	115	Treas. 12½pc 2003-05	116	–	10.70	10.24
90	82	Treas. 8pc 2002-06‡‡	84	–	9.48	9.90
105	97	Conversion 9¾pc 2006	98	–	9.88	9.90
118	109	Treas. 11¾pc 2003-07	110	–	10.59	10.24
96	87	Treas 8½pc 2007 ‡‡	89	–	9.50	9.74
134	123	Treas. 13½pc '04-08	125	–	10.79	10.16
101	92	Treas. 9pc 2008 ‡‡	93	–	9.59	9.71
92	84	Treas 8pc 2009	85	–	9.36	9.63
102	93	Conv 9pc Ln 2011 ‡‡	94	–	9.48	9.56
68	62	Treas. 5½pc 2008-12‡‡	63	–¼	8.63	9.34
89	82	Treas. 7¾pc 2012-15‡‡	83	–	9.30	9.50
132	121¼	Exch. 12pc '13-'17	122	–	9.77	9.57
		Undated				
45	41½	Consols 4pc	42	–⅛	9.45	–
40	36	War Loan 3½pc‡‡	37	–	9.35	–
70	60	Conv. 3½pc '61 Aft.	64	–	5.38	–
41	31	Treas. 3pc '66 Aft.	34	–	8.81	–
30¼	26	Consols 2½pc	26	–	9.39	–
29½	25¼	Treas. 2½pc	26	–	9.48	–
		Index-Linked (b)			(1)	(2)
108½	103	Do. 2pc '92‡‡(97.8)	108	+	2.95	3.97
99	94	Do. 2 '94 (102.9)	99	+	3.26	3.83
146½	139¼	Do. 2pc '96(67.9)	146	+	3.36	3.76
124	118	Do 2½pc '01(78.3)	123½	–	3.61	3.88
122	115	Do. 2½pc '03(78.8)	120½	–	3.67	3.91
125	117	Do. 2pc '06(69.5)	123	–	3.68	3.87
117	110¼	Do. 2½pc '09(78.8)	115	–	3.67	3.85
123	114	Do. 2½pc '11(74.6)	120	–	3.67	3.83
102	95	Do. 2½pc '13(89.2)	99	–	3.65	3.80
110	101¼	Do. 2½pc '16(81.6)	107	–	3.61	3.76
108	100	Do. 2½pc '20(83.0)	105	–	3.56	3.69
91	84	Do. 2½pc '24‡‡(97.7)	88¼	–	3.51	3.64

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1988: 109.5 and for May 1989: 115.0.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	99½	African Dv Bk 11¼ Ln 2010	101	.....	11.00	10.98
104	96¼	Asian Dev Bk 10¼pcLn2009	97	.....	10.55	10.56
130	119	Australia 13½pc 2010	120	.....	11.16	10.93
113	102	Do. 11½pcLn2015	104¼	.....	10.91	10.87
108	99	Euro Inv Bk 11pc Ln 2002	101	+⅛	10.86	10.79
104	95	Do. 10¼pc2004	97¼	+	10.67	10.73
119	109	Int-Am Dev Bk 12½pc 2003	111	+	11.26	10.92
99	90	Do. 9¼pcLn 2015	91	.....	10.62	10.68
97½	91	Mlysia 10¾pcLn 2009	91½	.....	11.75	11.87
120	117	Utd. Mexican States 16½pc 2008	117	–1	13.96	13.80

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	100	Birmingham 13½pc 1989	100½	.....	13.43	11.20
111½	102½	Do. 11½pc 2012	102½	.....	11.22	11.20
91	86½	GLC 6¾pc 1990-92	86½	.....	7.80	12.10
124½	114	Leeds 13½pc 2006	117½	.....	11.49	11.16
33	30	Liverpool 3½pc Irred.	30	.....	11.67	–
94½	92	LCC 6¾pc '88-90	93½	.....	7.22	12.90
30	27	Do. 3pc '20 Aft.	27	.....	11.11	–
107½	101½	Manchester 11½pc 2007	102½	.....	11.22	11.20

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	87½	–¼	8.29	12.10
206	206	S Rhod 2½pc Non-Assid.	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Assid.	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	N'wide Anglia 9⅞ 26.6.89	99	.....	9.83	13.96
99	98	Do. 10⅞pc 17.7.89	99	.....	10.73	14.47
99	98	Do. 11¼pc 7.8.89	99	.....	11.11	14.59
99	98	Do. 11½pc 29.8.89	99	.....	11.62	14.17
99	99	Do. 12½pc 18.9.89	99	.....	12.45	14.33
99	99	Do. 12¼pc 2.10.89	99	.....	12.40	14.25
99	98	Do. 11⅞pc 6.11.89	98	.....	11.94	14.32
100	98	Do. 12¼pc 4.12.89	99	.....	12.43	14.35
100	99	Do. 12⅞pc 2.1.90	99¼	.....	12.91	14.33
100½	98¼	Do. 12½pc 29.1.90	98	.....	12.70	14.34
100	98¼	Do. 12⅝pc 26.2.90	98	.....	12.84	14.46
102¼	98½	Do. 3¾pcIL Ln 2021	99¼	–¼	4.38	4.45

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	95	Agric. Mt. 5pc '59-89	99	.....	5.05	–
47	45	Met. Wtr. 3pc 'B'	46	.....	6.53	10.41

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass.	40	.....	3	f7.50
45	40	Do 4pc Mixed Ass.	40	.....	2	f5.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	128	Hydro Quebec 15pc 2011	129	+	15.00	11.28
128	118	Iceland 14½pc Ln 2016	120½	–	14.50	11.94
97¼	91½	Ireland 9¾pc '91-96	92½	.....	9.75	11.30

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39¼	26¼	Abbott Laboratories‡	36¾	–1	$1.20	–	2.1
579p	361p	♥Allegheny & W 1c	492p	.....	30c	–	3.9
17¼	12	Amax $1	16	–	80c	–	3.2
11	6	Ambase Corp $1	8½	–¼	20c	–	1.5
15	956p	Amdahl 5c	13½	–	h10c	–	0.5
35¾	25½	Amer. Cyanamid $5	34¼	–	$1.35	–	2.5
22¼	14	Amer. Express 60c	21	–½	84c	–	2.4
14¾	854p	Amer. Medical Int. $1	14	.....	47.2c	–	3.2
23	15¼	American T. & T. $1	23¼	+¼	$1.20	–	3.1
39	26	Ameritech $1	37¼	–1¼	h$2.92	–	5.0
19¼	9	BankAmerica $1	17	–	60c	–	2.1
32½	19¼	Bankers N.Y. $1	31	–¼	$2.08	–	4.1
59	38¼	Bell Atlantic $1	55¼	–1¼	$4.08	–	4.6
32¾	19¾	BellSouth Corp.	38½	–¼	$2.52	–	5.2
15¾	12	♥Bethlehem Steel $8	14½	–¼	–	–	–
11	929p	♥Bio-Rad Labs. A	10¼	.....	–	–	–
20¼	15¼	Bowater Inc.	18	–½	$1.12	–	3.9
12	9¼	Brunswick 75c	11	–	44c	–	2.5
42¼	28	CPC Intnl. 25c	40	–	$1.60	–	2.5
22¼	17	CSX $1	21	–¼	$1.24	–	3.6
798p	333p	California Engy.	749p	.....	–	–	–
29¾	17¼	Campbell Soup 15c	29	.....	92c	–	1.9
25	15	Chase Manhattan $12½	24	–	$2.36	–	6.2
23	17	Chem. Banking Corpn.	22	–	$2.72	–	7.5
16	13	Chrysler $6¼	16	–	$1.20	–	4.7
22	14	Citicorp $1	20	–	$1.62	–	5.1
230p	152p	CityFed Fin. Corp	161p	.....	4c	–	1.6
33	25¼	Colgate-Palmolive $1	32	–½	s$1.48	–	2.8
21½	16	Cons Freightways 62½c	19	–½	98c	–	3.1
17	10¼	Cont'l Bank Corp $4	15¼	–	86c	–	3.3
387½p	300p	♥Corporate Data Scnce	318p	–5	–	–	–

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
597p	278p	Cullinet Sftwr 1c	597p	.....	–	–	–
27½	21¾	Dana Corp. $1	27⅛	–⅛	$1.60	–	3.7
12	854p	Data General	11¼	–¼	–	–	–
37½	28⅜	Dun & Bradstreet $1	38½	–⅜	$2.00	–	3.5
41⅝	30½	Eaton Corpn. 50c	39⅝xd	–1	h$2.00	–	3.2
11⅞	8⅞	Echlin Inc	10⅞xd	–⅞	70c	–	4.1
20⅝	16⅞	FPL Group 1c	20⅛xd	–⅛	$2.28	–	7.2
32⅜	27⅜	Ford Motor $1	31⅜	–⅜	$3.00	–	6.1
45⅝	30¾	GATX 62½c	44xd	–¼	$2.00	–	2.9
35¼	24¼	Gen. Elect. 63c	34¼	–½	$1.64	–	3.0
568p	484p	♦General Host Corp $1	541p	.....	30c	–	3.5
39¼	18¼	Gillette $1	25¼	–¼	96c	–	2.4
987p	616p	Gt Am First Svgs Bk $1	839p	.....	60c	–	4.5
23⅝	16⅛	Greyhound $1½	22⅛	–⅛	$1.32	–	3.7
13⅞	847p	Hasbro Inc 50c	13¼	.....	16c	–	0.8
49⅞	32¼	Honeywell $1½	47⅛xd	–1½	$2.10	–	2.8
21¼	15¼	Houston Inds.‖	20¼	–½	$2.96	–	9.0
74⅜	63⅛	IBM Corpn $1¼	70¼xd	–1¼	$4.84	–	4.4
55p	45p	♦Image Storage/R Sy. 1c ♦	47p	.....	–	–	–
28¼	18¼	Ingersoll-Rand $2	27½xd	–½	$1.20	–	2.8
33	22½	Lockheed Crpn. $1	30½xd	–⅜	$1.60	–	3.3
22⅜	15⅛	Lone Star Inds $1	19⅞xd	–⅛	$1.90	–	6.0
25	17½	Louisiana Land 15c	23½xd	–⅜	$1.00	–	2.7
17	11½	Lowe's 50c	16½	–½	48c	–	1.8
25	15⅛	Manuf. Hanover $1	24½	–½	$3.28	–	8.5
20½	13⅛	Merrill Lynch $1	19⅛	–½	$1.00	–	3.3
2253p	1910p	Moler Inc.	1971p	–99	3.2c	–	–
27⅛	18⅛	Morgan (JP) $2½	25xd	–½	$1.66	–	4.2
54½	36⅛	NYNEX $1	58⅜	–1⅛	$4.36	–	5.5
24⅝	18¼	PHH Corp.‖	23⅝	–½	$1.12	–	3.0
259p	220p	♦Pacific Agr‖	242p	–7	–	–	–
27¼	19	Pacificorp $3¼	26¼	–¼	$2.76	–	6.4
27	16⅞	Pacific Telesis 10c	25⅞	.....	$1.88	–	4.6
22¼	15¼	Pall Corp. 25c	20⅜	–⅜	48c	–	1.5
55⅜	39⅞	Pennzoil 83 1/3c	51⅛xd	–1⅛	$3.00	–	3.7
25½	17⅛	Premark Intl.	24⅞	.....	84c	–	2.2
40⅞	28⅜	Quaker Oats $5	40⅜xd	–¼	$1.20	–	1.9
32⅛	23½	Rep NY Corpn $5	30⅞xd	–1⅛	$1.28	–	2.6
14⅞	11⅛	Rockwell Intl. $1	14¼xd	–⅛	72c	–	3.2
35	21⅝	Southwestern Bell $1	32	–1	$2.60	–	5.1
27⅞	17⅞	Sun Co. Inc. $1	26¼xd	–¼	$1.80	–	4.4
30¼	22⅛	TRW Inc. 62½c	28⅞xd	–⅜	$1.72	–	3.8
22¼	14⅜	TW Services $5	21¼	–⅜	10c	–	0.3
36⅜	26¼	Tenneco $5	34⅛xd	–1	$3.04	–	5.5
35⅛	28	Texaco $6.25	31⅛xd	–⅛	♦$3.00	–	6.0
28⅛	21⅝	Texas Instr. $1	26¼xd	–½	72c	–	1.7
117⅛	58⅝	Time Inc. $1	100⅞	+1	$1.00	–	0.6
18⅛	15⅛	TRINOVA Corp	17⅞xd	–⅛	s64c	–	2.3
24¼	16	USX $1	23⅛xd	–⅜	$1.40	–	3.8
164p	126p	♦Unilab	163p	.....	–	–	–
33⅛	22¼	Utd. Technologies	32¼xd	–¼	$1.60	–	3.1
158p	128p	♦Utilitech Inc	144p	+6	–	–	–
46½	31½	US West‖	45¼	.....	$3.76	–	5.3
35⅛	22⅝	Waste Management $1	33¼xd	–⅜	48c	–	0.9
20¼	13½	Whirlpool $1	19⅝	+⅜	$1.10	–	3.5
24½	16⅛	Whitman Corp	22⅜	–⅛	$1.02	–	2.9
36⅛	28⅛	♦Woolworth $3½	34¼	–1	$1.88	–	3.5

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

For Wood (Graham) see Graham Wood

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

For Abbey Life see Lloyds Abbey Life

[illegible]

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INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

...for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... y	99	......
Craig & Rose £1 ... y	720	......
Finlay Pkg. 5p ... y	88	......
Holt (Jos) 25p ... y	1533	+8

IRISH

Cap. 8½% Ln. 1991 ...	£98	......
9pc Cap Ln. 1996 ...	£98½	......
Fin. 13% 97/02 ...	£119	......
Arnotts ...	425	......
Carrol (P.J.) ... y	145xd	......
Hall (R. & H.) ...	165	......
Helton Hldgs ... y	71	−2
Irish Ropes ...	203	......
United Drug ...	130	−2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Beecham	50
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	40
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	100
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar comes under pressure

THE DOLLAR and sterling hovered around technical support levels yesterday, after a sudden bout of pressure on the US currency and a continuation of the recent steady decline of the pound.

Lack of economic news has tended to concentrate attention on chart points. The market ignored an upward revision to 4.4 per cent from 4.3 per cent in first quarter US GNP growth.

Technical support for the dollar is seen at around DM1.9450 to DM1.9500, after the breaching of a higher support level at DM1.9700 on Wednesday in New York. A break through the new level could take the dollar down to DM1.9200 according to dealers. In early European trading the US unit fell to a low of DM1.9455, but then it slowly moved higher to close at DM1.9595 in London, compared with DM1.9700 on Wednesday.

A sudden weakening of the dollar followed publication of areport by a Washington economic consultancy claiming that the US, West Germany and Japan - known as the Group of Three - had agreed the dollar should weaken between now and a meeting of the International Monetary Fund in September. It was also claimed that the agreement was a compromise after the US Treasury favoured a much sharper fall. The report went on to say that the G3 are looking for levels of around DM1.80 and Y130 by September.

Officials in Washington and Bonn denied any knowledge of such an agreement, but it is hard to believe the central banks were particularly upset by the claims. They succeeded in achieving something the central banks have found very hard in recent weeks, namely pushing the dollar down, and this was done without spending any reserves.

The Bank of Japan did intervene on a small scale in Tokyo, probably selling about $100m. This took the currency though support at Y140.80 and Y140.25, before institutional investors stepped in and prompted a minor rally to Y141.40 at the Tokyo close. At last night's London close the dollar had fallen back to Y141.00 form Y143.75 on Wednesday.

Mr Satoshi Sumita, governor of the Bank of Japan, mentioned the claims of the Washington consultancy report. He denied any G3 agreement, but said Japan and other nations will continue co-ordinated intervention. At the London close the dollar had also fallen to SFr1.6875 from SFr1.7025 and to FFr6.6525 from FFr6.6875. Its index fell 0.9 to 71.4.

Sterling gained a little ground against the weak dollar - rising 35 points to $1.5530 - but continued to slide against the D-Mark. The pound's sharp rise from DM2.9975 to DM3.0475 in March last year means there is no strong technical support near the DM3.00 level. Sterling closed at DM3.0425 last night, down from DM3.0525 on Wednesday and the market is becoming increasingly nervous that if the pound falls much further it will slip quickly to DM3.00.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3172	+2.02	+0.88	±1.5344
Danish Krone	7.85212	8.05797	+2.62	+1.48	±1.5404
German D-Mark	2.05853	2.06997	+0.56	-0.58	±1.0981
French Franc	6.90403	7.02352	+1.73	+0.59	±1.3674
Dutch Guilder	2.31943	2.33096	+0.50	-0.64	±1.5012
Irish Punt	0.768411	0.776032	+0.99	-0.15	±1.6684
Italian Lira	1483.58	1502.81	+1.30	+0.75	±4.0752
Spanish Peseta	133.804	131.690	-1.58	N/A	N/A

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES

Good trade in German bonds

SEPTEMBER DELIVERY West German Government bonds was the most active contract trading on Liffe yesterday. This traded over 25,000 lots while September short sterling managed less than 19,000 trades.

Short sterling opened a little firmer at 85.69, and held within a narrow range of 85.66 to 85.77, before closing at 85.72 compared with 85.65 on Wednesday. This takes it back to around the middle of the range that the market regards as most likely at present, between an optimistic view at 86.20 and a more pessimistic outlook at 85.40.

Next Tuesday's publication of the UK trade figures has not yet led to any particular nervousness in the market and yesterday's weakening of sterling against the D-Mark was not an important factor, as far as Liffe was concerned, with the pound's decline disguised by the fall of the dollar.

Nevertheless, the City fears a possible deterioration in the UK's trade position in May from the £1.66bn deficit in April, and if short sterling is to move up towards 86.00 the market will have to believe base rates are not going higher.

German Government bonds weakened to 94.85 from 95.24, after an active day, reflecting speculation that a strong economy could lead to a rise in the Bundesbank's discount rate around the contract's delivery time in September.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
89	362	434	14	36
90	308	350	24	52
91	222	306	38	108
92	142	231	58	133
93	107	161	123	163
94	47	133	163	235
95	29	109	245	311

Estimated volume total, Calls 1437 Puts 109
Previous day's open int. Calls 9927 Puts 14255

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	532	560	14	50
92	346	426	28	116
94	212	307	58	161
96	107	163	153	253
98	31	115	313	405
100	13	48	459	538
102	6	29	652	719

Estimated volume total, Calls 0 Puts 5
Previous day's open int. Calls 2219 Puts 2647

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9350	156	175	20	54
9400	118	143	33	72
9450	85	125	50	94
9500	59	90	74	119
9550	39	70	104	149
9600	23	53	138	182
9650	14	39	179	218

Estimated volume total, Calls 86 Puts 1444
Previous day's open int. Calls 12133 Puts 9792

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

LONDON (LIFFE)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 67222

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

MONEY MARKETS

London rates steady

THERE WAS little change in interest rates yesterday on the London money market. Trading was nervous, as a result of sterling's slide below DM3.05 and ahead of the UK trade figures next Tuesday, but the market does not believe the authorities are willing to endorse higher bank base rates at present. Three-month sterling interbank traded virtually unchanged all day at 14-13 7/8 per cent.

UK clearing bank base lending rate 14 per cent from May 24

Day-to-day credit conditions remained comfortable. The supply of liquidity was adequate, with the Bank of England forecasting a flat day and not operating in the market. Bills maturing in official hands and a take-up of Treasury bills drained £225m, with a rise in the note circulation absorbing £65m. These factors were roughly balanced by Exchequer transactions adding £300m to liquidity.

In New York the US Federal Reserve added temporary liquidity to the banking system, via four-day system repurchase agreements, when Federal funds were trading at 9¾ per cent. This was in line with expectations and reflects a swing in credit conditions against the market as tax payments have drawn funds out of the banking system.

In Frankfurt call money eased to 6.30 per cent from 6.40 per cent, as sentiment was encouraged by a weakening of the dollar and figures showing that West German M3 money supply grew at an annualised 5.4 per cent in May, against 6.2 per cent in April, falling much closer to the Bundesbank's target of about 5 per cent. It was also a sign that the market has sufficient funds, in spite of this week's drain of money at the Bundesbank's securities repurchase agreement tender.

On the other hand dealers noted that Mr Karl Otto Poehl, president of the Bundesbank, warned about the dangers of robust growth in the economy. The Bundesbank's June report highlights the possible problems of capacity restraints at a time of high demand for German goods. The market fears this could lead to a tightening of monetary policy later in the year.

In Oslo the Norwegian Central Bank cut its important overnight lending rate by ½ per cent to 10 per cent. The central bank said this was reflection of the current strength of the krone. A similar reduction was made on May 9, and the rate has been cut by 3.8 per cent over the past year.

The overnight rate is the rate at which commercial banks borrow funds, and has a direct impact on the general level of interest rates in Norway.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

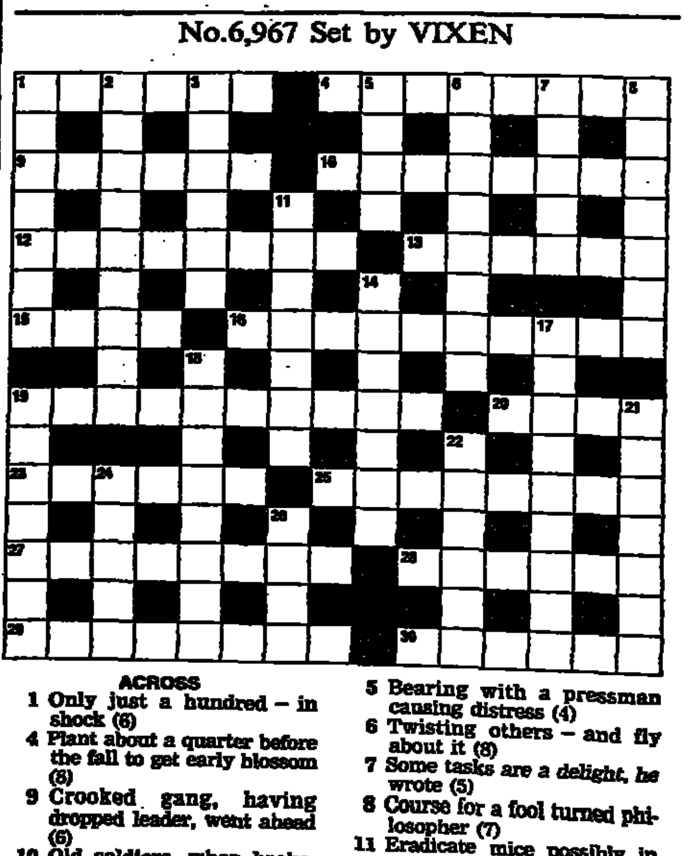
LONDON MONEY RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,967 Set by VIXEN



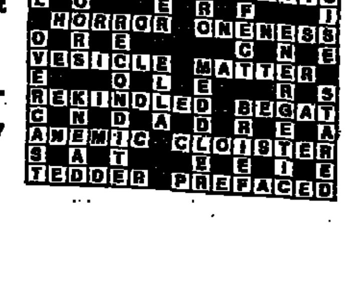
ACROSS

1 Only just a hundred – in shock (6)
4 Plant about a quarter before the fall to get early blossom (8)
9 Crooked gang, having dropped leader, went ahead (6)
10 Old soldiers, when broke, save rent (8)
12 Firm can't carry on road building (8)
13 In Polynesia, the Nature goddess (6)
15 Cutting in error (4)
16 See about a certain issue with a lawyer at the proper time (10)
19 Fighters are men. This is as it should be (3,7)
20 Lacking work – and it's the same with the French (4)
23 Point to Georgia in the wine bar (6)
25 Taking tea to occupy supporter (8)
27 An official event – and the person chosen gets cross (8)
28 The warning sound of some gliders (6)
29 The current may be down, true (8)
30 Did some writing, but not freely (6)

DOWN

1 Notices about an...... about spirited meetings (7)
2 Entering a strange country (9)
3 Found note in a box (6)
5 Bearing with a pressman causing distress (4)
6 Twisting others – and fly about it (8)
7 Some tasks are a *delight, he* wrote (5)
8 Course for a fool turned philosopher (7)
11 Eradicate mice possibly in one particular area (7)
14 Maintains the *estate* about right (7)
17 China's after inferior game (9)
18 "Stern —— of the voice of God," Wordsworth (8)
19 The picture appears masterly framed by a Greek character (7)
21 The know-it-all had for example double trouble (7)
22 Giving a guy time to run (6)
24 It's anxiety that makes many peruse their books (5)
26 Appeal for help and love, as is only fair (2-2)

Solution to Puzzle No.6,966



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO
4pm prices June 22

[illegible]

389625 Royal Bnk $44½ 44⅛ 44⅛ − ½
9153 SHL Syst $11⅝ 11⅝ 11⅝ + ⅛
800 SNC A I $8 6 6
6800 St. CemA f $19¾ 19⅝ 19⅝
194665 Sasktel $11¼ 11⅛ 11⅛
127102 Sceptre 460 460 455
1400 Scot Paper $17½ 17½ 17½ + ⅛

MONTREAL
4pm prices June 22

[illegible]

39916 NatBk Cda $14⅛ 13⅞ 14
28770 Noverco $12½ 12⅜ 12⅜
8508 Power Corp $15⅛ 15 15 − ⅛
37411 Provigo $10½ 10¼ 10½ + ⅛
5420 SteinbrgA $42¾ 42½ 42½
7740 Videotron $19⅛ 18⅞ 19
Total Sales 7,248,827 shares.

INDICES

NEW YORK — DOW JONES

	June 22	June 21	June 20	June 19	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2482.17	2464.91	2472.88	2488.8	2518.66 (12/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	91.46	91.78	91.94	92.19	92.52 (14/6)	87.35 (23/3)	-	-
Transport	1177.88	1170.69	1167.37	1149.09	1177.88 (22/6)	959.95 (3/1)	1167.37 (26/5/89)	12.32 (8/7/32)
Utilities	207.21	205.07	205.67	205.67	207.21 (22/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2489.76 (2489.38) Low 2452.77 (2450.87)

STANDARD AND POOR'S	June 22	June 21	June 20	June 19	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	322.32	320.48	321.25	321.89	326.95 (7/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	368.45	368.21	367.37	368.12	373.82 (7/6)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.65	30.60	30.80	30.79	31.35 (9/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	180.05	179.18	179.50	179.79	182.37 (9/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	362.21	361.07	361.72	362.39	366.16 (9/6)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	445.33	443.86	444.58	446.09	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 16	Jun 9	Jun 2	year ago (approx.)
Dow Industrial Div. Yield	3.59	3.51	3.38	3.55
	June 14	June 7	May 31	year ago (approx.)
S & P Industrial div. yield	3.00	2.98	3.02	2.94
S & P Indl. P/E ratio	13.62	13.75	13.53	15.35

TRADING ACTIVITY †Volume Millions	June 22	June 21	June 20
New York	179.118	169.811	164.348
Amex	12.732	11.822	12.473
OTC	(u)	136.402	137.064

NEW YORK	June 22	June 21	June 20
Issues Traded	1,942	1,937	1,942
Rises	809	595	651
Falls	615	833	758
Unchanged	518	509	533
New Highs	67	67	76
New Lows	12	22	17

CANADA

TORONTO	June 22	June 21	June 20	June 19	1989 High	1989 Low
Metals & Minerals	3253.8	3237.1	3296.1	3309.8	3564.9 (6/2)	3207.5 (3/1)
Composite	3740.1	3730.4	3747.0	3751.2	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1888.43	1884.17	1899.26	1901.55	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Bank of Boston	7,369,100	28⅛	—	Am T & T	1,772,400	36¼	—
Smith's Fo	3,270,200	20⅞	.....	Interco	1,749,600	2⅞	+ ¼
Navistar	2,241,700	5⅛	+ ⅛	IBM	1,559,600	109⅛	− ⅝
Transco Expl	1,873,900	11⅛	+ 2	Warner Comm	1,482,800	59⅛	+ ⅝
Systex	1,794,700	51	+ 1⅛	Union Carb	1,443,300	28	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 22	June 21	June 20	June 19	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1513.5	1528.2	1536.6	1526.7	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	681.2	690.8	693.7	689.1	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	364.28	366.67	365.48	364.09	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6096.00	6126.26	6129.73	6124.89	6158.43 (13/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	319.37	331.17	333.05	334.89 (16/6)	275.49 (27/2)
FINLAND						
Unitas General (1975)	780.1	783.5	786.0	(u)	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	481.7	481.2	476.4	476.3	487.9 (9/6)	417.9 (4/1)
Ind. Tendance (30/12/88)	113.1	113.0	112.5	111.8	114.5 (5/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	618.56	615.05	617.18	608.31	618.56 (22/6)	535.78 (27/2)
Commerzbank (1/12/53)	1844.2	1829.5	1837.9	1808.5	1844.2 (22/6)	1595.7 (27/2)
DAX (30/12/87)	1483.83	1474.61	1472.11	1456.99	1483.83 (22/6)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2231.82	2272.50	2337.71	(c)	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	646.93	643.44	642.96	648.68	651.72 (16/6)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33324.97	33345.28	33233.47	33013.1	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2473.54	2469.40	2456.63	2443.71	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	250.1	251.6	251.5	251.2	251.6 (21/6)	208.3 (3/1)
CBS All Shr (End 1983)	194.8	195.9	195.9	195.6	195.9 (20/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	631.55	630.66	632.56	624.83	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1294.43	1302.30	1303.12	1304.40	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1471.0	1421.0	1441.0	1427.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2556.0	2535.0	2530.0	2533.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	310.05	311.15	310.54	310.38	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4126.6	4125.5	4114.8	4119.8	4137.2 (16/6)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	745.5	746.8	742.2	735.8	746.8 (21/6)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	494.7	496.0	492.4	519.0 (17/2)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday June 22 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
MHI	58.3m	1,220	+20	Amada	12.8m	2,250	+60
KHI	38.5m	1,170	-20	Toshiba	12.7m	1,390	-20
SHI	15.5m	1,210	-10	Kawasaki Steel	10.4m	929	0
Meico	14.4m	1,190	-10	Nippon Steel	7.9m	830	-60
Konica	12.8m	1,340	+140	Sumitomo Metal	7.5m	811	-9

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4pm prices June 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
32⅛	21¼	AAR	.44	1.5	20	987	29⅞	28½	29½	+1¼
10⅛	8⅝	ACM n	1.01	11.		189	9⅛	9	9⅛	+ ⅛
11⅞	10⅛	ACMIn	1.26a	11.		487	11⅛	11	11	
10⅛	8½	ACM M	n1.01	11.		305	9⅝	9⅜	9½	
11⅜	10	ACM Sc	1.26	11.		1492	11⅛	10⅞	11⅛	+ ⅛
9⅞	8⅞	ACMSp	1.01	11.		785	9⅛	9	9⅛	
17¼	10⅞	AL Lab	.12	.7	18	244	16⅞	16½	16⅝	
4⅜	3⅛	AMCA	.12e	3.0	27	10	4	4	4	+ ⅛
6⅛	3½	AM Intl				442	5⅜	5⅛	5⅜	+ ⅛
23½	18⅝	AM In pf	2	9.5		13	21⅛	21⅛	21⅛	
65⅝	40⅞	AMR			8	6613	64⅝	63⅛	64	− ⅝
8⅞	3⅝	ARX				23	4⅛	4	4⅛	+ ⅛
44⅞	35¼	ASA	3a	7.2		380	41⅜	41⅛	41½	
22⅜	16¼	AVX	.24	1.2	10	490	20⅜	20⅛	20⅜	+ ⅛
61⅛	43½	AbtLab	1.40	2.4	17	2721	59	57¼	58	+ ⅝
18	15⅜	Abitibi g	1			17	16¼	16	16	− ⅞
13	7½	AcmeC	.40	3.3		58	12⅛	12	12	
8	5⅞	AcmeE	.32	4.1	16	19	7⅞	7⅞	7⅞	
34⅞	20⅝	Acuson			25	125	32⅞	32⅛	32⅞	+ ⅝
16⅞	14⅛	AdaEx	1.82e	12.		222	15⅝	15⅜	15½	
16⅞	7⅛	AMD				3797	10⅛	9⅞	10⅛	+ ⅛
43½	28⅝	AMD pf	3	9.1		11	33⅛	33	33	
10⅛	6½	Adobe				209	10⅛	9⅞	10⅛	+ ½
18⅞	16½	Adob pf	1.84	10.		6	17⅜	17⅜	17⅜	− ⅛
21⅜	19⅞	Adob pf	2.40	11.		10	21	20⅞	20⅞	− ⅛
9⅞	6⅜	Advest	.12	1.7	17	108	7	6⅞	7	+ ⅛
56¼	43½	AetnLf	2.76	4.9	9	2082	56⅞	55¼	55⅞	+ ⅞
14	12⅞	AflPb n				3446	13⅞	13⅜	13⅜	− ⅛
23	14⅝	Ahmans	.88	4.1	10	4322	21⅝	21⅛	21⅜	− ⅜
4⅝	2⅛	Aileen				5	3	3	3	+ ⅛
62¼	37⅞	AirPrd	1.32	3.1	11	931	43¼	42⅞	43⅛	− ⅛
28⅞	15½	AirbFrt	.60	2.2	26	105	27⅛	26⅞	27¼	+ ⅛
24½	13⅜	Airgas			14	674	23⅛	22⅞	23⅛	+ ⅛
20½	17⅞	Airlease	2.40	12.	9	40	20⅜	20	20	− ⅛
28	21⅜	AlaP pf	2.13e	9.8		2	22⅛	22⅛	22⅛	+ ½
9⅜	8½	AlaP dpf	.87	9.2		18	9½	9⅜	9½	+ ⅛
96¼	86¼	AlaP pf	9	9.6		z670	93½	93½	93½	− ¼
99¼	92½	AlaP pf	9.44	9.6		z180	98	98	98	
90	80	AlaP pf	8.16	9.2		z10	88½	88½	88½	− ½
86¼	79½	AlaP pf	8.28	9.9		z280	85	84	84	+ ⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	16¼	BordC	n3.40e	20.	5	311	17½	17¼	17½	
70	49½	Borden	1.60	2.6	16	1624	60⅞	57	60⅛	+2½
16⅜	12⅞	BCelts	1.80e	12.	7	14	14	13⅞	13⅞	− ⅛
17⅜	14	BostEd	1.82	10.	9	870	u17½	17⅛	17½	+ ⅜
88½	82	BosE pf	8.88	10.		z20	87	87	87	−1
15	14	BosE pr	1.46	9.8		4	14⅞	14⅞	14⅞	− ⅛
35⅞	25¼	Bowatr	1.12	3.9	7	1458	29⅛	28⅜	28⅞	+ ⅛
12⅞	7⅛	Brazil	.80e	8.1		272	9⅞	9⅝	9⅞	
38	24⅛	BrigSt	1.60	6.1	35	796	26⅝	26	26⅛	− ⅛
51¼	39	BristMy	2	4.2	16	5061	48	47½	47⅞	
38½	24⅜	BritAir	1.42e	4.4	8	1150	32⅜	32⅛	32⅛	
34½	27⅝	BritGas	1.63e	5.4	11	553	30	29⅜	30	+ ⅛
61⅝	48¼	BritPt	4.10e	7.4	14	971	55⅞	55⅜	55⅜	+ ⅞
9⅜	6⅛	BritP wt				85	7	6⅞	6⅞	
15⅛	11	BrtStl pp				670	13	12⅞	12⅞	
52	37⅜	BritTel	1.92e	4.6	10	1565	42½	41⅞	42¼	− ⅜
10	8⅛	Broadin	.10	1.0		1104	10	9⅝	9⅞	
29⅜	19¼	Broad pf	1.50	5.1		121	29½	29½	29½	
27⅞	22⅜	BHP n	1.15e	4.4	10	23	26	25⅝	25⅞	
27⅛	22¼	BklyUG	1.76	6.5	9	130	27½	27¼	27½	
18½	12½	BwnSh	.32	2.4	17	31	13½	13¼	13¼	
37	31	BrwnGp	1.60	4.6	69	91	34⅞	34½	34⅞	− ⅛
35⅞	22¼	BrwnFr	.56	1.6	21	3266	34⅜	33⅞	34¼	+ ½
22½	16¼	Brnwk	.44	2.5	10	1969	17⅞	17¼	17½	+ ⅛
30¼	24	BrshWl	.68	2.5	14	1046	28¼	27⅞	27⅞	− ½
23⅜	19⅜	Buckeye	2.40	10.	8	123	23¼	22⅞	23	
17⅞	15½	BunkrH	1.78a	10.		4	17⅜	17⅜	17⅜	+ ⅛
15⅜	12⅞	BKInv	1.80	12.	11	55	15	14⅞	14⅞	
24⅜	18½	BurlnCt			10	1	22¼	22¼	22¼	− ⅛
25½	21⅜	BrlNth	n1.20	5.0	7	1504	24½	24	24	+ ⅛
9	7⅜	BrlNo pf	.55	6.9		2	8⅛	8	8	+ ⅛
61⅝	23⅞	BrlRsc	n.44e	1.0	82	4314	44⅛	43⅞	44⅛	+ ¼
16¼	10	Bustnid			12	559	13⅛	12⅝	12⅝	− ⅛
		– C–C–C –								
33⅞	24⅜	CBI In	.60	1.9	34	617	31⅝	31⅛	31⅝	
208⅜	154½	CBS	4.40	2.2	18	1042	203½	199¼	203½	+4½
4⅞	2⅞	CCX				90	3½	3⅜	3½	− ⅛
34⅞	16	CDI s			18	318	34⅜	33⅞	33⅞	+ ⅛
58	44¼	CIGNA	2.96	5.8	10	1285	55⅞	55⅜	55⅜	− ½
10⅛	9	CIGHI	n1.20	13.		x431	9⅜	9½	9⅜	

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
3⅞	2	Zapata				296	2⅞	2⅝	2⅝	
15½	10½	Zemex	.48	3.8	135	5	12	12	12	
30	16½	ZenithE			983	1971	19¼	18⅞	19⅛	+ ⅛
10⅝	8⅝	Zeninc	1.25	13.		171	9⅝	9½	9⅝	+ ⅛
2⅜	1	vjZenLb				313	1⅛	1⅛	1⅛	
21½	15	ZenNtl	.84	4.4	9	52	19¼	19⅛	19⅛	− ⅛
22	14⅝	Zero	.44	2.0	17	202	21⅝	21½	21½	− ⅛
38⅞	20	Zurnin	.68	1.8	19	213	37⅞	37	37⅞	+ ⅛
11⅞	10	Zweig	1.07e	9.3		467	11½	11⅜	11½	
10⅛	9⅛	Zweig n	.96	10.		1152	9⅝	9⅜	9⅝	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds. subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year. omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices June 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pread A	.10		2	5⅛	5⅛	5⅛	− ⅛
PresCm	.06e	1	142	8⅞	8½	8½	− ½
Prism		15	6	3⅞	3⅞	3⅞	− ⅛
ProMed	.42	10	52	3⅞	3⅝	3⅝	− ⅛
ProtCre		14	212	8⅞	8¼	8¾	+ ½

OVER-THE-COUNTER

Nasdaq national market, 3pm prices June 22

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta s		19	242	23	22¾	23	+ ⅛
XOMA			520	19	18¼	18½	− ¼
Xicor		8	426	6¾	6⅝	6⅝	− ⅛
YelowF	.78	10	468	27⅞	26¾	27⅞	+ ⅝
ZionUt	1.44		25	25½	25¼	25½	
Zycad			130	3½	3⅛	3⅜	+ ⅛

FINANCIAL TIMES Friday June 23 1989

AMERICA

Equities rebound strongly with gains in final hour

Wall Street

AFTER A weak start, equities rebounded quite strongly although, as on many occasions in recent months, most of the gains came in the last hour, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 17.26 points higher at 2,482.17 on moderately active volume of 176m. Other major indices also made healthy gains.

The Treasury bond market rallied as traders focused on downward revisions in the first quarter's inflation indicators in spite of an upward revision in GNP growth, although price gains were limited by a sharp fall in the dollar.

While growth was revised upwards slightly to 4.4 per cent from 4.3 per cent, the implicit price deflator gain was reported as 3.6 per cent from 3.9 per cent previously indicated and the fixed weight deflator, the preferred measure for many economists, was revised downwards to a gain of 4.6 per cent from 5.0 per cent earlier reported.

Yesterday's GNP release is not expected to have a lasting effect on the trend of markets with the data looking old as we approach the end of the second quarter.

The encouraging aspect of yesterday's bond rally, which helped stocks a little, was that it came in spite of another weakening in the dollar, partly on rumours, later denied, that President George Bush had been shot.

The recovery in stocks yesterday morning may have more to do with the fact that the market has been dropping for several days now than any fundamental economic factors. In the previous seven sessions, the Dow had recorded falls in six of them, taking the index to a level well below its post-crash high of 2,518.66 on June 12.

Although there has been a fairly substantial correction after reaching this post-crash high, the market continues to look vulnerable overall. In technical terms, the market has not seemed to have much conviction either when the sellers or buyers have been in charge, although price falls have been exacerbated by rounds of stock index arbitrage programmes.

Mr Newton Zinder, technical analyst at Shearson Lehman Hutton, said: "While the bears have been doing better than they have since the late winter, they have still not been able to fully take charge. Time could soon run out on them, especially if the market works itself into an oversold condition and it is not too far away from doing that."

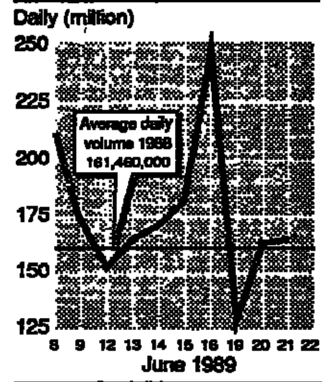
Given the fact that opinion on the direction of the economy and the balance of policy is so mixed, market movements from day to day can be influenced almost entirely by the pattern of trading in the last few days and the level of the main indices.

Takeover stocks continued to be in the limelight. News of Hanson Trust of Britain's bid for Consolidated Goldfields sparked some interest. Newmont Mining, 49 per cent-owned by Consolidated Goldfields, jumped $5¼ to $40. Newmont Gold, a subsidiary of Newmont Mining, added $2 to $33¼ and Hanson's ADRs rose $⅞ to $16⅞.

Integrated Resources, the real estate and insurance firm which is struggling with a severe liquidity crisis, rose $⅝ to $4⅝ on news of a possible takeover by Mr Robert Bass, the Texas investor. Integrated's stock has plunged from a peak of $18 last month because of difficulties in meeting payments on nearly $1bn in short-term debt.

Kinetic Concepts fell $2¼ to $5⅝ in over-the-counter trading after the company warned about lower second quarter earnings.

NYSE volume



Canada

SHARE PRICES closed higher in active trading. The 300 composite index finished up 9.6 to 3,740.1. Volume of 36,263,000 shares was inflated by a 4.6m block of Ulster Petroleums and was well above Wednesday's 26,936,000 shares.

Twists and turns in Milanese plot

Simon Greaves asks if Italy's surge was merely an 11-day wonder

TWO weeks ago, the Italian market caused widespread surprise by taking off on a sudden and sharp ascent after being grounded for most of the year.

The bull run lasted for 11 glorious days and took Milan's Comit index up by 6.4 per cent. That compares with the paltry 3.8 per cent advance that the market had managed since January 1, during a period when European bourses as a whole had climbed 13 per cent.

But Italy's sparkling surge came to an abrupt halt this week, with the market ending mixed yesterday and the Comit index at 646.93, 0.7 per cent below last Friday's high of 651.72. After spending days cheerfully ignoring the absence of a government, the bourse lost its nerve in the wake of the European election results.

Was this just an 11-day wonder, or the start of a concerted upward march? Analysts appear deeply divided over the immediate outlook.

Mr Paolo Azzoni, of Milan brokerage house Albertini, said the election results had deepened the political crisis in Italy by failing to promise any more than a further clutch of coalitions. "The financial community was expecting a strengthening of the governing parties. What has happened was not in line with expectations."

However, he is cautiously bullish. "I have formed the view that when people have had a bit more time to consider the results sentiment will again be a bit more optimistic. Prices are still not very high."

Even at its peak last Friday, the market was still about 30 per cent below its all-time high of 908.20, scaled in May 1986. One obstacle to long-term recovery, he points out, is the slow progress towards reform of the financial markets and the introduction of legislation covering insider trading, anti-trust law and public offerings. Italy's Consob regulatory authority has been accused of weakness and inefficiency. As Mr Azzoni put it: "What Italy needs is re-regulation not de-regulation."

The bourse is also a long way from computerised trading, with squabbles emerging over access to information, the choice of systems and who should get the order for the software.

However, in the short-term at least, some analysts are recommending international investors to increase their weightings in the Italian market.

Mr Gabriele Muzio, analyst at Swiss Banking Corporation in London, says the consolidation after the 11-day rise was expected, although it was "a bit more violent than we anticipated." He adds: "We are positive and we think the market should look quite well supported in the next few days."

Mr Muzio points to a survey which showed that 70 per cent of Italy's listed companies reported 25 per cent increases in earnings on average last year, way above the most optimistic forecasts. SBC has been revising its estimates for this year sharply upwards.

The recent rally was driven by domestic investors, but observers note that foreigners, particularly UK and US institutions, moved in during the later stages. The Japanese were even said to be "dipping their toes" into the market.

On the more sceptical side, Mr Roberto Morelli of County NatWest WoodMac said there were no new factors to support a further recovery by the market.

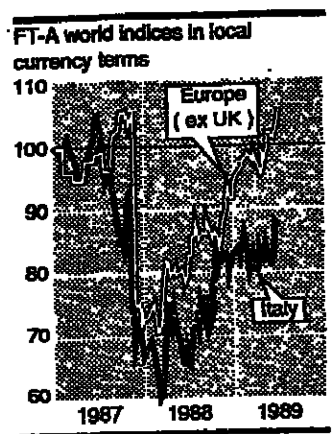
"We have seen a domestic sentiment-driven rise, which was very euphoric towards the end, fizzle out. My feeling is that until something fundamental changes the market is not going into a sustained rally," he says.

A fundamental change, in his view, would be either signs ofimprovement in Italy's public sector debt problem or a political development to break the current deadlock.

Mr John Whitehead, strategist at Robert Fleming Securities, also believes that the political problems remain.

"There is less cause to be positive than there was before the European elections and we consider that there will be rising concern about the financial system right up to the abolition of exchange controls in 12 months' time. We expect Italy to underperform the European average," he says.

FT-A world indices in local currency terms



EUROPE

Frankfurt powers ahead in spite of profit-taking

WEST GERMAN stocks continued their solid advance, shrugging off profit-takers, while most other bourses ended mixed, *writes Our Markets Staff.*

FRANKFURT surged ahead again in spite of warnings that it had risen too far too fast, and the indices shook off bouts of profit-taking to close at new highs in very active trading.

A weakening in the dollar, and a fall in domestic money supply growth to 5.4 per cent in May from April's 6.2 per cent, provided an encouraging backdrop for further gains.

There was also promising news on the tax front, with Mr Helmut Haussmann, economics minister, proposing that the coporate tax burden be cut by DM25bn-DM30bn after 1991.

The FAZ index climbed close to the 630 level, rising 3.51 to 618.56, while the DAX ended 9.22 better at 1,483.83, below its best of the day. Turnover rose to DM7.5bn worth of German shares from Wednesday's DM6bn. The after market was generally firm on the back of Wall Street.

Leading blue chips remained actively traded. Insurers were in demand, benefiting from having underperformed the market and from the better interest rate climate. Allianz rose DM49 to DM1,912.

Mannesmann gained DM2.50 to DM262 after news of an offshore pipe order from BP. Steel stock Hoesch added DM2 to DM282 amid news of a Soviet co-operation project. Continental, a recent underperformer, advanced a solid DM7.50 to DM310, benefiting from strength in the car sector.

Chemical Bayer dropped DM13.30 to DM298.50, going ex a dividend of DM12.

PARIS ended mixed to higher in restrained trading, with many late price movements attributable to position-squaring on the last day of the monthly account.

The OMF 50 index was off 0.71 at 495.98, while the CAC 40 index added 1.45 to 1,739.04. The opening CAC General edged up 0.5 to 481.7.

Legrand, which makes power distribution equipment, was an outstanding performer, jumping FFr286, or 7.7 per cent, to FFr3,985 following news it was buying a 45 per cent stake in Italian competitor Ticino. Brokers County NatWest WoodMac, in a buy recommendation, said the cost of the stake was thought to be about FFr1bn and that the two companies' products were complementary, with Ticino strong on design and Legrand strong on technology and processes.

Pechiney was actively traded, with the investment certificate rising FFr15 to FFr380 on 667,000 shares and the international stock gaining FFr1.40 to FFr228.90 on 903,000 shares. There was a big buy order for the international share on Wednesday.

Thomson CSF dropped FFr8 to FFr221 in spite of a FFr225m order from the French army.

Pharmaceutical group Roussel Uclaf reported higher first quarter profits but was down FFr50 at FFr1,770, while Club Med gained FFr6 to FFr644, reporting a 59 per cent profits leap in the first half.

MADRID fell back after Wednesday's gains and an early upward spurt yesterday, with the general index shedding 1.15 to 310.05.

Turnover has been thin lately, with a low $87.8m worth of shares changing hands on Wednesday.

Telefonica lost 4.7 percentage points to 199 per cent of nominal market value, losing most of Wednesday's advance, while Repsol shed 3.8 to 426.2.

Tabacalera, negotiating with KKR to buy the 50.5 per cent of Nabisco Brands España that it does not own, eased 3 points to 935 per cent of par.

AMSTERDAM was broadly lower by the close in slightly higher volume, up from Wednesday's Fl 589m to Fl 905m. The CBS tendency index shed 1.2 to 191.6.

Attention centered on diversified trading company Borsumij-Wehry, which plunged Fl 17.60, or 11 per cent, to Fl 140 after news of a profits downturn.

Investors scrambled to sell when the board revealed that textile losses pushed group profits down by 10 per cent in the first five months.

Steelmaker Hoogovens, second most actively traded stock, continued to be a profit-takers' target, losing Fl 1.40 to Fl 118.30.

ZURICH trading was very busy and the market ended mixed with a firm undercurrent. The Crédit Suisse index was up 2.7 at 607.8.

Banks remained a strong sector with Swiss Bank Corp and Union Bank bearers registering strong gains.

Shares of Jacobs Suchard, the confectioners, were volatile after the company's announcement that foreigners would be allowed to own its registered shares for the first time.

Suchard bearers were unchanged at SFr7,210 while registered shares closed SFr35 firmer at SFr1,550.

BRUSSELS ended mainly lower in quiet trading. The cash index lost 30.26 to 6,096.0.

Holding company Société Générale, which on Tuesday announced its issue next week would be priced at BFr3,000, dropped BFr310 to BFr4,540. The offer is equivalent to a price of BFr4,500.

One of the few companies to attract interest was chemical group Gechem which rose BFr12 to BFr1,160 on a turnover of 22,600 shares.

STOCKHOLM closed slightly lower in lacklustre trading before the long holiday weekend.

Electrolux was the most actively traded stock with free-B shares worth SKr20m changing hands, but it closed unchanged at SKr223.

The Affärsvärlden General index fell 1.1 to 1,206.7.

HELSINKI also slipped in advance of the long weekend with the Unitas all-share index down 3.4 at 780.1.

OSLO closed mixed in moderate turnover worth NKr239.1m as the all-share index dipped 0.11 points to 489.27.

ASIA PACIFIC

Surge in yen provokes a see-saw response

Tokyo

INITIALLY heartened by the yen's surge and rumours of an agreement by the US, Japan and West Germany to curb the dollar's rise, the Tokyo market marched ahead in morning trading, *writes Yuriko Mita in Tokyo.*

But the suddenness of the yen's climb seemed to prompt caution, and by the afternoon trading had become sluggish. In spite of its early gains, the Nikkei average closed 20.31 lower at 33,324.97.

The day's high was 33,427.40 while the low was 33,262.18. Gains led losses by 468 to 413, with 205 issues unchanged. Although morning volume was healthy at 350m shares, the decline of interest in the afternoon left total turnover at only 584m shares, down from the 683m on Wednesday.

The Topix index of all listed shares rose 4.14 to 2,473.54. In later London trading, the ISE/Nikkei 50 index fell 2.08 to 1,966.85.

Rumours spread in Tokyo early yesterday that the Group of Three were collaborating to bring the dollar down below Y140 before the meeting of the Group of Seven industrial nations in July. After plunging in overnight trading in New York, the dollar continued its downtrend in Tokyo.

The yen's rise, however, did not bring about a total recovery in confidence. Some investors have become extremely cautious about currency. They fear that if the yen can rise so rapidly and strongly, then it could fall just as quickly.

Optimists, on the other hand, said that the strengthening yen could bring an inflow of capital into Tokyo equities.

There were buy orders for construction and domestic demand-related stocks and foreigners were again net buyers. But caution appeared to prevail, as the low volume indicated.

Interest continued to focus on large capital shipbuildings, as some institutional investors tried to support stocks in which they have huge holdings. Others were encouraged by reports of the improvement in business results.

For the second day in a row, the three most active issues were large capital shipbuildings. Mitsubishi Heavy Industries gained Y20 to Y1,220 after rising to a record high of Y1,230 in early trading. It was the most active stock with 58.3m shares changing hands. Kawasaki Heavy Industries lost Y20 to Y1,170 on volume of 38.5m shares.

Trading in Konica, a leading producer of photosensitive materials, was temporarily suspended in the morning as it surged Y100 to Y1,300. Its profits for the fiscal year ended April are estimated to have risen 15.8 per cent and its price earnings ratio is at a low of 51. Rumours that a speculative group was attempting to increase its stake sparked further interest and Konica closed Y140, or nearly 12 per cent, higher at Y1,340.

In thin Osaka trading of only 58.6m shares, the OSE average gained 88.25 to 32,474.83.

Roundup

JOYLESS trading characterised most Asia Pacific markets yesterday, with most of them ending weaker.

HONG KONG again headed lower in more active trading worth HK$924m, up from Wednesday's HK$732m. The market remained nervous about the Chinese situation and brokers reported little underlying support.

The Hang Seng index lost 40.68 to 2,231.82 in spite of a round of bargain-hunting during the morning. The index had earlier hit a low of 2,202.

Bearish news from New World Development, which has indefinitely postponed a HK$1bn convertible bond issue, sent the stock down 10 cents to HK$7.55. On the upside, Bond Corp International jumped 17 cents to HK$1.51 following shareholders' approval of the sale of its half-stake in the Bond Centre.

Hang Seng index futures contracts were weak, with June at 2,230, a fall of 42.

AUSTRALIA had a thin session, with stocks ending lower on nervousness about the sudden rise in the Australian dollar against the US dollar and a general lack of interest before the end of the fiscal year on June 30. The All Ordinaries index lost 14.7 to 1,513.5 in low turnover of about A$136m.

The rise in the local dollar and a fall in base metal prices hit resources stocks in particular, and the continuing troubles at Bougainville Copper's Papua New Guinea mine added further worries. CRA, with a 49 per cent stake in Bougainville, fell 18 cents to A$8.44.

Banks were weak, on worries of exposure to the troubled property group, Hooker, which fell 3 cents to 53 cents.

SINGAPORE was hit by profit-taking and the Straits Times industrial index fell below 1,300, losing 7.87 to 1,294.43. Turnover was a modest 56m shares, down from Wednesday's 58.6m.

Singapore Airlines foreign shed 30 cents to S$17.60 and Straits Steamship was down 12 cents at S$3.24.

SOUTH AFRICA

THE RISE in the bullion price caused active trade and a spurt by gold shares in Johannesburg. The upward trend spread to most other sectors.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 22 1989						WEDNESDAY JUNE 21 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	133.92	+0.0	127.84	114.81	−1.6	5.13	133.96	128.17	116.67	157.12	128.28	147.65
Austria (19)	123.47	+0.9	117.88	125.46	−0.6	2.12	122.40	117.12	126.16	124.16	92.84	85.91
Belgium (63)	129.12	+0.3	123.26	130.39	−0.7	4.21	128.71	123.15	131.25	137.10	125.58	122.62
Canada (123)	139.79	+0.7	133.45	120.71	+0.3	3.31	138.80	132.81	120.31	141.80	124.67	128.22
Denmark (38)	193.65	+0.9	184.87	200.17	+0.1	1.88	192.00	183.71	199.96	194.05	165.35	129.95
Finland (26)	141.08	+0.1	134.68	129.12	−1.4	1.63	140.88	134.79	131.00	159.16	125.81	134.00
France (128)	119.26	+0.6	113.85	124.45	+0.1	3.05	118.50	113.38	124.30	122.79	112.57	98.12
West Germany (100)	89.45	+1.2	85.39	91.12	+0.7	2.23	88.38	84.56	90.51	90.40	79.56	76.30
Hong Kong (49)	92.77	−1.9	88.56	92.84	−2.0	5.76	94.60	90.52	94.71	140.33	86.41	109.17
Ireland (17)	135.17	+1.0	129.04	139.38	+0.0	3.02	133.87	128.09	139.42	151.36	125.00	140.31
Italy (97)	83.34	+0.9	79.56	88.57	+0.6	2.51	82.58	79.02	88.07	86.88	74.97	72.35
Japan (455)	176.70	+2.2	168.69	157.49	+0.2	0.50	172.98	165.51	157.18	200.11	164.22	166.94
Malaysia (36)	179.37	−0.2	171.24	186.56	−0.7	2.57	179.70	171.94	187.83	185.03	143.35	151.27
Mexico (13)	271.98	+5.9	259.65	713.84	+2.0	0.71	256.94	245.85	699.51	271.98	153.32	169.25
Netherland (42)	119.24	−0.1	113.83	120.05	−0.6	4.31	119.33	114.18	120.80	122.22	110.83	106.07
New Zealand (24)	67.74	+1.9	64.67	61.28	+0.0	6.06	66.47	63.60	61.25	76.02	62.64	82.30
Norway (26)	176.83	+1.7	168.81	170.89	+0.6	1.54	173.94	166.42	169.80	198.39	139.92	125.72
Singapore (26)	159.52	−0.6	152.29	143.64	−0.9	1.93	160.41	153.49	144.89	161.98	124.57	122.29
South Africa (60)	145.81	+0.3	139.20	128.26	+2.4	4.17	145.31	139.04	125.31	145.81	115.35	126.05
Spain (43)	148.29	−0.4	141.56	140.08	−0.4	3.61	148.84	142.41	140.66	156.17	143.14	157.26
Sweden (35)	164.31	+0.9	156.86	160.97	+0.1	2.13	162.80	155.77	160.75	164.31	138.45	120.18
Switzerland (57)	79.91	+1.3	76.29	83.80	+0.4	2.30	78.91	75.50	83.29	79.91	67.81	81.72
United Kingdom (314)	139.86	+0.6	133.52	133.52	+0.3	4.38	139.08	133.07	133.07	153.33	133.28	137.16
USA (555)	131.44	+0.5	125.48	131.44	+0.5	3.41	130.78	125.14	130.78	133.96	112.13	112.01
Europe (1005)	118.03	+0.7	112.68	116.84	+0.2	3.51	117.26	112.20	116.57	121.70	112.63	108.81
Nordic (125)	159.35	+0.9	152.12	152.82	+0.0	1.86	157.93	151.11	152.80	159.35	137.95	115.96
Pacific Basin (675)	172.00	+2.0	164.20	153.53	+0.1	0.74	168.61	161.33	153.36	194.72	160.44	163.86
Euro – Pacific (1680)	150.48	+1.6	143.65	138.81	+0.1	1.63	148.15	141.75	138.60	164.22	141.58	141.86
North America (678)	131.84	+0.5	125.86	130.78	+0.5	3.41	131.17	125.51	130.14	133.73	112.79	112.87
Europe Ex. UK (691)	104.11	+0.7	99.39	106.53	+0.2	2.86	103.37	98.91	106.36	105.29	96.30	91.22
Pacific Ex. Japan (220)	115.74	−0.5	110.49	104.15	−1.5	5.00	116.30	111.28	105.74	137.65	111.93	126.77
World Ex. US (1876)	150.13	+1.5	143.33	138.30	+0.2	1.70	147.86	141.48	138.06	162.77	141.49	141.26
World Ex. UK (2117)	142.73	+1.3	136.26	136.20	+0.3	2.08	140.96	134.88	135.82	146.04	136.98	129.22
World Ex. So. Af. (2371)	142.44	+1.2	135.98	135.99	+0.3	2.26	140.75	134.67	135.62	146.65	136.67	129.93
World Ex. Japan (1976)	126.28	+0.5	120.55	124.95	+0.3	3.51	125.61	120.19	124.52	126.50	114.51	112.17
The World Index (2431)	142.46	+1.2	136.00	135.93	+0.3	2.27	140.78	134.70	135.55	146.51	136.68	129.91